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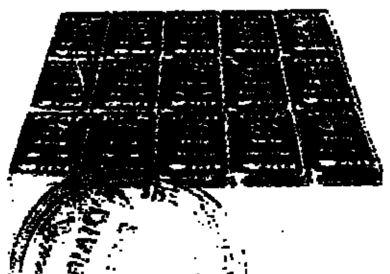


# FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY FEBRUARY 18 1993 | D8523A


## Yeltsin supporter seeks to tame rival's parliament

Supporters of Russian president Boris Yeltsin proposed a constitutional "compromise" which would neutralise the Russian parliament led by his arch-rival, Ruslan Khasbulatov. Deputy prime minister Sergei Shakhrai said the constitution, drafts of which are being prepared by teams representing the president and parliament, should be agreed not by parliament, but by a constituent assembly or alternatively by a referendum. Page 2

**ANC fails to ratify plan:** The African National Congress decided not to ratify a power-sharing plan, agreed in principle last week with the South African government, until its members had been consulted. The move damps hopes of rapid progress toward a constitutional settlement in South Africa.

**Nine nominations for British film**

*Howard's End*, a film set in Edwardian England, received nine Academy Award Oscar nominations, including best actress for Britain's Emma Thompson (left, with Anthony Hopkins in a scene from the film). Clint Eastwood's western *Unforgiven* also got nine nominations.

**China invites bids for oil exploration:** China invited foreign oil companies to submit exploration bids for promising onshore areas, including the vast Tarim basin in the country's remote north-west. Page 26

**Audi to press ahead with new models:** Audi, luxury car division of Volkswagen, is pressing ahead with ambitious development plans despite a planned production cut of between 10 per cent and 15 per cent this year. Page 19

**Japanese tax cut unlikely:** Japan's ruling Liberal Democrats indicated that a cut in income tax cut was unlikely to form part of a package to stimulate the economy, expected to be announced in the spring. Page 5

**Canon moves ahead:** Office equipment and camera manufacturer Canon last year suffered a small decline in sales but reported a profit rise of 1.3 per cent to Y77.13bn ($637m), due mainly to the strength of its computer peripherals business. Page 22

**China frees students:** China freed the last two student leaders rounded up after the 1989 pro-democracy protests that led to hundreds of deaths in Beijing's central Tiananmen square. Page 4

**EDF increases sales:** State-controlled utility group Electricité de France raised profits by 32 per cent to FFr2.5bn ($452.3m) in 1992, because of increased domestic and export sales, lower primary prices and to debt reduction. Page 21

**Campbell Soup in the red:** US foods group Campbell Soup reported a net loss of $115.9m, in its second quarter because of an anticipated $300m write-off taken in connection with an international restructuring and divestiture programme. Page 21

**Péchiney profits down:** State-controlled French aluminium group Péchiney, which this week emerged as a potential investor in packaging company CarnaudMetalBox, saw net profits fall to around FFr200m ($35m) last year from FFr820m in 1991. Page 19

**Rhône-Poulenc expects privatisation:** Chemical group Rhône-Poulenc, in which the French government holds a 43 per cent stake, said it expected to be fully privatised if the socialist government lost next month's general election. Page 19

**Backing for Maastricht:** Britain's opposition Labour leader John Smith, persuaded most of his party's MPs not to back "wrecking" amendments on the government's bill to ratify the Maastricht treaty. Page 7

**Mexico changes urged:** Tough enforcement of labour laws in Mexico and a $8bn environmental clean-up fund are called for by the influential Washington-based Institute for International Economics. Page 3

**Support for Rushdie death call:** Two-thirds of the members of Iran's parliament backed a call from the country's supreme leader, Ayatollah Ali Khamenei, for the killing of Salman Rushdie, author of *The Satanic Verses* which many Moslems consider blasphemous.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100 | 2,814.0 | (+1.8) |
| Yield | 4.28 | |
| FT-SE Eurotrack 100 | 1,121.77 | (−1.37) |
| FT-A All-Share | 1,374.5 | (+0.1%) |
| Nikkei | 17,069.63 | (+93.31) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,315.97 | (+6.48) |
| S&P Composite | 432.95 | (−0.96) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3⅛% |
| 3-mo Treas Bills: Yld | 2.962% |
| Long Bond | 100½ |
| Yield | 7.11% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 6¼% | (same) |
| Liffe long gilt future: Mar | 103 ¹⁄₃₂ | (same) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Apr) | $17.72 | (18.11) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Feb) | $331.8 | (333.0) |
| London | $330.15 | (331.85) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.446 | |
| London: | | |
| $ | 1.444 | (1.4475) |
| DM | 2.35 | (2.3625) |
| FFr | 7.9675 | (8.0) |
| SFr | 2.1725 | (2.18) |
| Y | 172.5 | (173.25) |
| £ Index | 78.5 | (78.9) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.62555 | |
| FFr | 5.511 | |
| SFr | 1.50215 | |
| Y | 119.655 | |
| London: | | |
| DM | 1.628 | (1.6315) |
| FFr | 5.5175 | (5.5275) |
| SFr | 1.505 | (1.5065) |
| Y | 119.4 | (119.65) |
| $ Index | 66.4 | (same) |
| Tokyo close Y 119.25 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr300 | Lux | LFr60 | Qatar | QR12.00 |
| Bahrain | Din1.250 | Hungary | Ft162 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 |
| Bulgaria | Lev25.00 | India | Rs40 | Neth | Fl 3.75 | Slovak Rp | Kcs45 |
| Cyprus | C£1.00 | Indonesia | Rp3600 | Nigeria | Naira20 | Spain | Pta200 |
| Czech Rp | Kcs45 | Israel | Shk5.90 | Norway | NKr16.00 | Sweden | SKr15 |
| Denmark | DKr15 | Italy | L2700 | Oman | OR1.50 | Switz | SFr3.20 |
| Egypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Syria | S£30.00 |
| Finland | FM12 | Korea | Won 2500 | Philippines | Pso45 | Thailand | Bht50 |
| France | FFr8.50 | Kuwait | Fils 600 | Poland | Zl 22,000 | Tunisia | Din1.250 |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Esc215 | Turkey | L7000 |
| | | | | | | UAE | Dh11.00 |

# Clinton pledges to cut deficit

By George Graham in Washington

PRESIDENT Bill Clinton was set last night to announce a four year, $500bn tax package designed to trim the annual US budget deficit by $140bn to $206.5bn in 1997.

The programme, to be outlined in a State of the Union address to both houses of Congress, combines long-term tax increases and spending cuts with a short-term boost to the economy, involving higher infrastructure spending and a short-term investment tax credit.

Administration officials mounted a spirited defence of the programme yesterday following Tuesday's sharp fall on Wall Street. Mr Roger Altman, deputy treasury secretary, described as "exaggerated" reports that middle-class Americans were going to pay a lot more. Mr Lloyd Bentsen, treasury secretary, Robert Reich, labour secretary, and Leon Panetta, director of the Office of Management and Budget, all rallied to the defence of the measures.

In early afternoon trading the Dow Jones Industrial Average was up 5.67 at 3,315.16.

The tax package was set to include:

● A new top income tax rate of 36 per cent for couples earning above $140,000 in taxable income.

● A *10 per cent surtax on tax*payers earning over $250,000.

● A rise in the corporate tax rate from 34 to 36 per cent.

● A new energy tax levied on the thermal content of fuels.

Staunch defenders of the Clinton economic programme (from left): Lloyd Bentsen, Robert Reich, Roger Altman, and Leon Panetta

## State of the Union address to map route to economic health through tax increases and public spending cuts

● An expanded earned income tax credit for low income taxpayers.

● Income tax levied on 85 per cent of Social Security retirement *payments, instead of 50 per cent.*

At the same time, Mr Clinton plans a short-term stimulus package intended to create 500,000 jobs by 1994 by a temporary investment tax credit and an accelerated programme of public spending on infrastructure, housing, education and the environment.

Over the long term, Mr Clinton *wants to reduce government* spending on wasteful programmes and excessive administration, reducing federal jobs by 100,000, or almost 5 per cent, by 1995.

He also wants to cut more than $125bn from the five year defence budget outlined by former president George Bush, and save $55bn on Medicare health insur*ance for the elderly.*

Mr Clinton, who promised voters *last* year that he would reduce taxes on the middle class – a category which in the US includes virtually everyone – is taking a calculated risk by presenting an package that requires immediate pain in the interests of a longer term improvement in the US economy.

But many voters appear unconvinced that Mr Clinton will use the money raised by the new income and energy taxes to reduce the deficit, rather than increasing spending on federal programmes.

Mr Clinton has planned an intensive campaign to market the plan; he and his cabinet will spread out across the US to argue that its measures are necessary and patriotic.

Editorial Comment, Page 17

# New taxes to raise $328bn in five years

By George Graham in Washington

NEW TAXES due to be proposed in President Bill Clinton's State of the Union speech last night will raise a total of $328bn in 1993-98, with most of the additional revenue coming from *higher income taxes* levied on wealthier taxpayers, a new energy tax levied on the thermal content of fuels and an increase in the corporate tax rate.

The impact of the new taxes will only be felt in later years: this year, new revenues of $2.9bn will be more than offset by a temporary incremental tax credit for large businesses and a permanent investment tax credit for smaller businesses.

The energy tax, which will be phased in in three stages starting in July 1994, will be levied at a rate of 25.7 cents per million British thermal units on coal, gas and nuclear energy, but at a much higher rate of 59.9 cents on oil.

When it is fully phased in, the tax is expected to cost the average family with an income of $40,000 a year an extra $118, and will bring more than $22bn a year into the Treasury.

One important major potential source of new revenue included in Mr Clinton's campaign documents has been greatly scaled back: the administration now expects to raise an additional $2.8bn over four years from new rules governing transfer pricing by foreign and US multinationals, not the $45bn Mr Clinton estimated during the campaign.

However, Treasury officials said they also planned to spend $38m on hiring more tax inspectors and doubling the rate of audits on foreign-owned subsidiaries, and hope this would yield significant extra revenues in time.

Mr Clinton will also trim his defence budget to $263.7bn in fiscal 1994, compared with $274.3bn in the current year, with further *progressive reductions to* $254.2bn in 1998.

Combined with cuts in government spending, the new revenues are expected to help reduce the budget deficit from $262.5bn, or 5.4 per cent of Gross Domestic Product, in the 1994 fiscal year to $205.3bn, or 2.7 per cent of gross domestic product, in 1997.

## Political leaders' interference 'made a mockery' of aid effort

# UN to suspend Bosnian relief operation

By Frances Williams in Geneva and Laura Silber in Belgrade

ALMOST all relief operations in Bosnia-Hercegovina are to be halted because of continuing political interference in the aid effort, Mrs Sadako Ogata, the UN High Commissioner for Refugees, said yesterday.

*Political leaders on all sides* had "made a mockery of our efforts and I deeply regret that their behaviour has obliged me to take this decision", the High Commissioner said. These actions had condemned the victims to live without UNHCR assistance.

The UNHCR'S decision reflects the growing frustration in recent weeks with the blocking tactics of the political parties in the former Yugoslav republic.

"I have done everything I can to persuade leaders to distinguish humanitarian aid from the conflict... but [they] have not allowed us to carry out our mandate," Mrs Ogata said at a news confer*ence in Kenya's capital Nairobi.*

Deliveries to the besieged city of Sarajevo are being blocked by the Bosnian government to draw attention to the plight of Moslems in towns in eastern Bosnia, which in turn have been unable to receive supplies because of a siege by Bosnian Serb forces.

In Belgrade yesterday, UNHCR officials said the ten-lorry convoy bound for the Moslem enclave of Cerska, eastern Bosnia, would be ordered to return to Belgrade. Serb forces blocked the convoy again yesterday for the fourth day as well as blocking the convoy heading for besieged Moslems in Gorazde, south of Cerska.

Mrs Ogata said yesterday: "For *months now, UNHCR, UN staff* and NGOs [non government organisations] have been risking their lives to deliver humanitarian assistance in the middle of a war to more than 3m refugees, besieged and displaced persons in former Yugoslavia."

Blocked convoys would be moved back to their bases and all relief activities in Serbian-controlled Bosnia suspended immediately. All UNHCR activities in Sarajevo would be suspended and staff withdrawn, leaving only a skeleton UNHCR presence in the city. Land convoys and the airlift to Sarajevo would be suspended.

Relief operations in areas of Bosnia where UNHCR could still *operate would be maintained at a* reduced level. Serb and Bosnian leaders would have to signal a clear commitment to giving the UN access before aid could be resumed, Mrs Ogata said.

In Geneva, Ms Sylvana Foa, UNHCR spokeswoman, said they hoped for a speedy request for aid deliveries to be resumed, with guarantees of safe passage.

● Mr Cyrus Vance and Lord Owen, will today meet the newly-appointed US and Russian envoys to the talks, with the aim of reaching an agreement with the three warring parties by the end of the month, adds Robert Mauthner in New York.

Though there are no indica*tions yet that the Bosnian Serbs* or Moslems are ready to make the compromises neededfor the peace plan to be accepted, the hope is that US and Russian pressure will help to unblock the talks.

UN members put own interests first, Page 2

# EC warns of more steel plant closures

By Andrew Hill in Brussels

THE European Commission yesterday warned EC steelmakers they would have to close even more plants than originally envisaged if they wanted commercial and financial support from the Community.

The call came as the Commission unveiled a rescue package to help protect the industry, which is suffering from overcapacity, competition from cheap non-EC imports and the worsening recession. The EC would provide Ecu900m ($1.06bn) of financial support for closure costs, but only if member states match funding promised by the Commission

The Commission refused to estimate how many jobs might be lost in the EC industry as a result of capacity cuts, but an internal Brussels report has suggested the original, more modest closure programme could lead to at least 50,000 redundancies. A German steel industry spokesman yesterday warned that it alone might have to shed *35,000-40,000 jobs.*

In their original forecasts, steel producers suggested they could reduce production of crude steel by up to 25.8m tonnes over the next three years, and rolled products by 17.9m tonnes. Mr Bangemann said yesterday that this was "not sufficient", and steelmakers would have to cut a further 4m or 5m tonnes of capacity. Altogether, the Commission is looking for cuts of up to 30m tonnes in crude steel, and about 19m tonnes in rolled steel.

Mr Martin Bangemann, the EC industry commissioner, and Mr Karel Van Miert, responsible for competition, said they hoped the plan would receive the political backing of industry ministers at a special meeting next week. However, in an indication of the political sensitivity of the issue, they will not ask member states to take a formal decision on the rescue package before May.

Mr Fernand Braun, the EC's "steel envoy", is to renew contacts with 70 steelmakers in the hope that they can offer more capacity cuts to satisfy the Commission before the May meeting. The producers will be asked to commit themselves to a binding closure programme by the end of September, and to carry it out by the end of 1995.

The draft programme approved yesterday includes controversial plans to reduce alleged unfair *competition from cheap steel* imports from eastern Europe. Mr Bangemann said the EC will ask the Czech and Slovak republics, Hungary and Poland to impose minimum prices on steel exports to the EC over the next three years – or face anti-dumping duties.

# Heseltine to present coal rescue plan to Brussels

By Andrew Hill in Brussels and Michael Smith in London

MR Michael Heseltine, UK trade and industry secretary, is likely to visit Brussels next week to present draft plans to the European Commission for keeping open some of the Britain's threatened coal mines.

The trip will fuel growing speculation in the coal and electricity industries that the government will not publish its white paper on coal before the end of the month. The government has previously said that it wanted to bring out the white paper as early as possible in February.

Last night it appeared to be some way from securing a deal with generators to take on extra coal, the main plank in its draft white paper. It will then have to clear its proposals with Brussels.

Although the rescue plans should receive broad approval from Commission energy officials, Mr Karel Van Miert, the EC *competition commissioner*, will insist that subsidies to UK pits should be scaled down after 1995. According to draft plans circulating in London, coal subsidies would be eliminated by 1998.

If Britain decides to subsidise

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NEWS: EUROPE

# German steel crisis prompts talks

By Quentin Peel in Bonn

THYSSEN and Krupp, Germany's two largest steel producers, and Saarstahl, the sixth largest, are holding talks on future co-operation in their output of certain products.

The aim of the talks, precipitated by the crisis in the steel industry, is to decide whether significant cost reductions can be made by greater specialisation between the three companies.

The first details emerged as 10,000 steel workers demonstrated on the streets of Dortmund against the threat of mass job losses, and the closure of an entire steel plant belong to Hoesch Stahl, in the process of merging with Krupp Stahl.

At the same time Mr Ruprecht Vondran, president of the German Steel Federation, warned that the industry in west Germany alone might have to shed 25,000 to 30,000 jobs, under the latest capacity cuts proposed at the European Commission in Brussels. East Germany would lose 10,000 jobs.

The negotiations between Thyssen, Krupp and Saarstahl follow at least two abortive efforts at co-operation agreements between German steel producers in the past 18 months.

This time they have been personally agreed by Mr Gerhard Cromme, chief executive of Krupp holding company, and Mr Heinz Kriwet, head of Thyssen group.

The discussions will be conducted by the companies' steel bosses, including Mr Ekkehard Schulz of Thyssen Stahl, number one in the German steel industry, and Mr Hans-Wilhelm Grasshoff, head of Hoesch Stahl.

Thyssen Stahl said the talks would focus on "whether cost improvements could be achieved in the long products sector (girders, rods and the like) through a division of labour in the process of an exchange of programmes.

Thyssen and Krupp were involved in a previous round of talks on possible co-operation in special steels production – virtually all Krupp's long products output consists of special steels. These talks ended abruptly last year when Thyssen decided instead to amalgamate its two producing companies, Thyssen Stahl and Thyssen Edelstahl.

A further round of talks was initiated by Krupp last year with Klöckner-Werke and Saarstahl, which also foundered. However the recent slump in the European steel market has forced the big producers to reopen their talks.

Klöckner-Werke, currently in negotiations on debt relief with its major creditors, has been excluded from the latest talks.

The threat of thousands of job losses throughout the German industry has caused a surge of labour militancy, barely restrained by IG Metall, the giant engineering and steel workers' union. Yesterday's demonstration in Dortmund, condemned as illegal by politicians, united men from Hoesch's Westfalenhütte, Phoenix and Union steel plants, with some 2,000 coal miners from the nearby Haus Aden and Bergkamen pits.

The union has called for a national demonstration on March 26, but workers fear that will come too late to prevent further closures.

Mr Vondran, who earlier welcomed the Brussels plans for cuts in production capacity agreed by the steel producers, warned that as many as 80,000 jobs could be lost.

# Bundesbank rules out fresh rate cut

By David Waller in Frankfurt

FURTHER cuts in short-term interest rates could lead to a "stop-go" policy for the German economy, risking higher long-term rates and endangering jobs, the Bundesbank warns its latest monthly report.

There was no sense in making counter-cyclical cuts in rates in an attempt to revive the economy, the report adds.

The weakening of the western German economy became clearer towards the end of last year. Gross domestic product in the final quarter fell by an adjusted 1.5 per cent from the previous three months and by 0.5 per cent against the last quarter of 1991.

In manufacturing the seasonally adjusted production figure for the fourth quarter was 5.5 per cent down on the comparable period in 1991. Separately, the German Institute for Economic Research (DIW) in Berlin said yesterday that west German GDP was likely to fall by a real 1 per cent in the first quarter this year against the last quarter of 1992.

But the Bundesbank said there was no cause for undue pessimism. Manufacturing industries were not representative of the economy as a whole: construction and services in general were doing better than those sectors hard hit by falling exports.

It said that in contrast to many other countries Germany was not suffering the delayed effects of overheating in the late 1980s. Shares and property prices had not collapsed in Germany, nor were there problems in the financial system.

Long-term interest rates were far more important for German industry than the short-term rates set with reference to the Lombard and discount rate which the Bundesbank cut two weeks ago today. The discount rate was cut by 25 basis points to 8 per cent and the Lombard rate by 50 basis points to 9 per cent.

Over 80 per cent of bank credits in Germany were provided on a long-term basis, the Bundesbank pointed out. These rates had fallen "extraordinarily sharply," dropping 1.5 per cent to under 7 per cent since September.

This fall reflected the markets' confidence that the German central bank would ultimately be successful in its battle against inflation, which reached an annual rate of 4.4 per cent in January.

# Bonn cabinet gives the signal for railways reform

By Ariane Genillard in Bonn

THE German government yesterday approved a reform plan for the country's entire loss-making railway system, designed to relieve a DM70bn ($43bn) debt burden and pave the way for its privatisation.

The west German Bundesbahn and east German Reichsbahn will be turned into a joint stock company from January 1 next year, but with its shares remaining in government ownership for the next 10 years.

The entire plan requires the support of the opposition Social Democrats in order to gain the two-thirds majority needed in the federal parliament to change the constitution.

Mr Klaus Daubertshaüser, SPD parliamentary leader in charge of transport, said parliament would have to make sure the reforms did not jeopardise loss-making rail routes.

The creation of a joint-stock company, called Deutsche Bahn AG, aims to free the railways' management from red tape and the vested interests of politicians.

At the moment, any investment above DM5m requires the approval of the finance ministry.

The reform will also remove the special status of many employees who, as public servants, have jobs for life and enjoy special benefits.

The German Industry Federation, in a statement in support of the reform plans, said yesterday the railways could not operate if it remained subject to state-owned companies' regulations.

But the change in employees' status might bring the government into deeper conflict with the Social Democrats and the unions, who want to protect the jobs and benefits of the railways' employees.

The means of financing the rail reform is likely to create further political conflict.

Last week, the government's three coalition parties agreed to levy a yearly fee on users of motorways and to transfer the revenues to the railways.

But the proposal was denounced by Greens and politicians from all sides.

Equally controversial is the possibility of raising a petrol tax to finance the railway reforms.

A government working group is due to come up with a report on both issues on March 10.

The loss-making railways will have debts of DM70bn by the end of this year and interest payments of DM12bn.

Mr Günther Krause, the transport minister, said that without reform the railways' debt would climb to DM569bn by 2003.

The reform package should reduce this to DM139bn, he said.

# Yeltsin aide seeks to tame parliament

By John Lloyd and Leyla Boulton in Moscow

SUPPORTERS of President Boris Yeltsin of Russia yesterday proposed a constitutional "compromise" which would effectively neutralise the Russian parliament led by Mr Ruslan Khasbulatov, his arch-rival.

Mr Sergei Shakhrai, a deputy prime minister, said last night that parliament should refrain from exercising its rights to "interfere" with the government's economic programme until a constitution was adopted. He said they should also not have a say in adopting a new constitution spelling out the division of power between the executive, parliament and the government.

He said that for the Congress of Peoples' deputies – the full parliament – to adopt a constitution was "like the situation when a man is the judge of his own case."

Mr Shakhrai said the constitution, drafts of which are now being prepared and exchanged by teams representing the president and parliament, should be agreed by a constituent assembly or alternatively by a referendum. Mr Shakhrai is a member of the president's team in the talks. Mr Yeltsin, he said, should also refrain from interference with the government. The government, however, is mainly at odds with parliament.

It was clear in Mr Shakhrai's account of the president's strategy that Mr Yeltsin is prepared to confront Mr Khasbulatov on the economy. The main issue is the lack of agreement between the government and the central bank on the issuing of credits. Mr Shakhrai said the government should end the "abnormal situation" in which it has no power over the bank's credit policy.

Over the next few days, the joint presidential-parliamentary commission is due to thrash out a constitutional agreement which must then be ratified by a one-day extraordinary Congress of Peoples' Deputies in early March.

Mr Shakhrai stressed that if agreement could not be reached, a referendum set for April 11 on the constitution would proceed.

He warned of chaos and dictatorship if agreement could not be found, saying that in that case a constitution would be beside the point because "there would be no elections for 30 or 40 years."

● Mr Alexander Shokhin, deputy prime minister for foreign economic relations, warned last night that if foreign creditors forced Russia to pay more than $2.5bn this year towards the interest due on the $80bn debt it inherited from the Soviet Union it would do so, but the result would be "catastrophe," as other former Soviet republics would be deprived of cheap oil because Russia would sell more oil for hard currency.

Protesters in Milan put pressure on the embattled Italian government yesterday, demonstrating against economic policy

Luca Magni, the businessman who one year ago unleashed Italy's corruption scandal by setting a Milan kickback trap

# Lira at record low amid political fears

By Robert Graham in Rome

FEARS that talks between Italian political parties on broadening the ruling coalition could undermine Prime Minister Giuliano Amato's eight-month-old government yesterday pushed the lira to a record low of L950 to the D-Mark.

The parties are discussing a broader coalition to provide greater authority for reform of Italy's unmanageable system of proportional representation.

A parliamentary commission has proposed a new first-past-the post system for electing the majority of the two houses. But big differences remain on the details and a strong government is needed to cope with the question of whether to go along with calls for a referendum on the reform.

The coalition, of Christian Democrats, Socialists, Social Democrats and Liberals, has only a narrow parliamentary majority. The coalition increasingly lacks legitimacy as Italy's political class falls foul of the ever-widening corruption scandals.

The proposals for widening the coalition centre on bringing in the former communist Party of the Democratic Left (PDS), the small Republican Party and the populist Lombard League.

● Magistrates yesterday told Mr Gianni De Michelis, former foreign minister and currently deputy head of the Socialist party, that he is under investigation over two incidents on top of the allegations of kickbacks in the Veneto region for which he is being investigated, writes Haig Simonian in Milan.

The new allegations concern Italy's aid programme to developing countries and the investigation into alleged political corruption in Milan.

# Commission hints at shift in stance over Emu targets

By Lionel Barber in Brussels

THE European Commission yesterday dropped hints that the deeper-than-expected recession in Europe may require a retreat from the strict economic performance targets required for European monetary union.

Mr Henning Christophersen, EC economics commissioner, said cyclical economic factors and their impact on budget deficits may have to be considered in 1996 – the earliest date when a majority of EC states could vote to join Emu.

He stressed the performance targets themselves could not be changed because they were in the Maastricht treaty. But he cited the example of a member state with a budget deficit of 3.5 per cent of national output, just above the 3 per cent target set down in the Maastricht treaty. If it could show its deficit was heading clearly downward to, say, 2.5 per cent of GDP, it would be well placed to qualify for Emu.

Mr Christophersen's comments reflect a widely held view in Brussels that the poor prospects for growth make more likely a generous interpretation of the Emu "convergence" criteria on inflation, budget deficits, and government debt.

"There is room for judgment," he said, stressing that EC states at Maastricht rejected "purely mechanistic" criteria for Emu. But in the same breath he said all countries that fulfilled the criteria in 1996 had not just "a duty but an obligation" to apply for Emu.

Under Maastricht, the Commission will present a report in 1996 on member states' economic performance in the run-up to Emu. But the final arbiters of who qualifies for the Emu club will be the member states themselves in the Council of Ministers.

Alice Rawsthorn in Paris adds: Mr Theo Waigel, the German finance minister, and Mr Michel Sapin, his French counterpart, hope to meet Mr Lloyd Bentsen, the new US treasury secretary, before the Group of Seven finance ministers' meeting in London this month.

The German and French ministers, who met in Bonn yesterday as part of the regular meetings between their ministries, reaffirmed their commitment to working together to secure the future of the European monetary system. Mr Sapin said their recent joint efforts to defend the French franc against market attacks had "enabled our countries to emerge as victors from a difficult situation".

However, the ministers ruled out speculation that they might pursue a "fast track" solution by linking the franc with the D-Mark in a limited form of Franco-German monetary union. "The question does not arise," said Mr Waigel.

Mr Sapin, a member of the Socialist government that faces defeat at next month's parliamentary elections, said France should stick to its *franc fort* policy of supporting its currency "despite any problems that could occur".

The French conservative opposition yesterday called on Germany to cut interest rates.

# IMF loan facility likely for Poland

By Anthony Robinson and Christopher Bobinski in Warsaw

THE POLISH parliament's approval last week of a tight 1993 budget has paved the way for agreement on a new $660m IMF standby loan at the next executive board meeting of the International Monetary Fund in early March, a senior IMF official said yesterday.

Mr Daniel Kaeser, the executive director for Poland, said the vote restraining the budget deficit to around 81,000bn zlotys ($4.9bn), or 5 per cent of GDP, opened the way to board approval. It also underlined the Fund's assessment that "the reform process in Poland is becoming a success story with economic growth picking up," he added.

Approval of a new loan to replace an earlier $1.7bn facility aborted by earlier government instability and above-budget spending, is expected to unlock a series of significant financial agreements and encourage private investment.

IMF approval for the Polish government's letter of intent will lead to a 20 per cent reduction in Poland's $32bn official government debt. This is the second and final stage of the 50 per cent total official debt reduction agreed by the Paris club of official creditors in March 1991.

An IMF agreement is also required for completion of Poland's negotiations with the London Club for a similar reduction in Warsaw's $12.1bn debt to commercial banks. The first round of commercial debt negotiations took place in Vienna last week following the recent appointment of Mr Krzysztof Krowacki as Poland's chief debt negotiator.

A green light from the IMF is also expected to be followed by World bank board approval of more than $1bn of new loans for the energy sector, industrial restructuring and farm modernisation. Loans in the pipeline include a $450m facility to help finance bank debt restructuring prior to privatisation.

Several government credit agencies, including the UK government's ECGD, are also expected to resume export credit cover for Polish business once the above official debt agreements are in place.

The budget is expected to receive its final approval from the senate today after a lengthy progress through the lower house of parliament, where opposition MPs tacked spending projects costing billions of zlotys on to the budget before bowing to an ultimatum from Ms Hanna Suchocka, the prime minister, backed by President Lech Walesa, who threatened to dissolve parliament unless the budget was approved as drawn up by the government.

# French right may win 80% of seats

By Alice Rawsthorn in Paris

FRANCE'S centre-right coalition is on course for a crushing victory against the ruling Socialists in next month's parliamentary elections, according to the latest opinion poll.

This suggests the coalition could win four-fifths of the 555 mainland seats.

The Sofres poll suggested that 40 per cent of French voters favour the conservative RPR and UDF alliance, with 21 per cent backing the Socialists. This would give the conservatives 453 seats and the Socialists 80, compared with their present tally of 247.

Support for the ecologists, who pushed the Socialists into third place in recent polls, has slipped to 15 per cent.

President François Mitterrand, who has hitherto stayed aloof from the fray, will tonight stage the first of two 45-minute live television programmes in which he will answer questions from voters.

The Socialists hope the programmes will be as successful as his television debate before the Maastricht referendum in September.

Prime Minister Pierre Bérégovoy, however, is still hampered by the row over the FFr1m ($178,500) interest-free loan he received from Mr Roger-Patrice Pelat, a financier later charged with insider trading.

The Justice Ministry on Tuesday rejected a judge's request to investigate the loan. But Libération, the centre-left newspaper, yesterday published a stinging editorial, criticising Mr Bérégovoy for accepting it.

Mr Edouard Balladur, favourite to be the next prime minister, said yesterday the next administration's first task should be to "safeguard the franc" by supporting the link with the German D-Mark.

# Brussels clears BA takeover of Dan-Air

By Lionel Barber in Brussels

THE European Commission has approved the merger between British Airways and Dan-Air, arguing that it does not significantly affect services between Belgium and Britain.

The presence of BA, Sabena, the Belgian flag carrier, and British Midland meant there were three large competitors on the rapidly growing Brussels-London route.

The three airlines between them fly 23 times a day from Heathrow to Brussels: BA has seven, Sabena eight and British Midland eight. BA gained four flights as a result of acquiring Dan-Air's low-cost operations at Gatwick last year. But Sabena acquired two extra slots at Heathrow last month.

The Belgian government complained in November about the possible anti-competitive impact of the deal. This followed calls from the heads of Air France, the French flag carrier, and Sabena for the Commission to take a more critical view of BA's expansion plans in Europe.

Air France, which has a stake in Sabena, also complained about the original Commission decision not to launch a full-scale anti-trust inquiry into BA's acquisition of Dan-Air for a nominal £1, plus assumption of the ailing airline's liabilities.

Belgium resorted to a previously unused clause in the EC's merger rules which allows the Commission's anti-trust authorities to investigate the impact on competition on their national territory.

But the Commission said the effects of the BA/Dan-Air merger applied only to the Gatwick-Brussels route. BA's acquisition "neither creates nor reinforces a dominant position" in Belgium.

# UN members 'put own interests first'

By Sheila Jones

THE leading members of the UN are putting their own interests before the organisation's commitment to collective security in deciding how to act in Bosnia-Hercegovina, a UK foreign affairs select committee was told yesterday.

Professor Rosalyn Higgins, UK representative on the International Human Rights Committee, said in written evidence it was not the intention of the UN Charter that member states should help countries under attack only if they felt they had a direct national interest to do so. Neither did such assistance depend on guarantees that no harm would come to their soldiers nor that the outcome of any action was clear at the outset.

"But all of these reasons have been offered over the last weeks as to why there should be no enforcement action by the UN in response to illegal action in Bosnia," Prof Higgins told the select committee on the role of the UN.

Unlawfulness and aggression were encouraged by "the debates about national interest, the hesitations about military overstretching, and disputes between allies as to what should and should not be done" by the UN.

Key members of the Security Council were insisting they could not do everything alone, while at the same time refusing to ensure a role for other member states.

The US and the UK were understandably concerned about the limits to the burden each took in enforcing peace around the globe. But the burden could only be shared properly if the resources of all member states were available to the Security Council on call.

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# Study offers tips on Nafta fine-tuning

## David Dodwell on findings of an influential report

AGGRESSIVE enforcement of national labour laws in Mexico and a $3bn (£2.1bn) environmental clean-up fund are called for in an assessment of the North American Free Trade Agreement released yesterday by the influential Washington-based Institute for International Economics.

The recommendations address fierce criticism of the Nafta, particularly from US labour and environmental interests which have been lobbying the Clinton administration for amendments to the regional trade agreement.

Nafta was signed late last year by President George Bush, Mexico's President Carlos Salinas de Gortari, and Mr Brian Mulroney, Canada's prime minister. It is to be put to Congress for ratification later this year.

President Bill Clinton has committed the new administration to amendments to the text, taking account of these pressures.

The IIE assessment – giving an overall B+ grade to the 2,000-page agreement – is intended to provide signposts to the policies he could adopt. It gives clear support for the administration's call for supplementary agreements to the Nafta on labour and the environment, and recommends a $3bn "Nafta fund" in preference to proposals from Democratic senator Max Baucus for a special Nafta transaction tax.

The Nafta fund would finance the environmental clean-up on the US-Mexican border and would help to underwrite work by the Environmental Protection Commission, already suggested by Mr Clinton, in sponsoring broad assessments of environmental conditions in each country. The IIE calls on the three Nafta signatories to earmark for the fund $300m a year each for five years, from 1994.

The Environmental Commission should also set up procedures to encourage harmonisation of environmental standards, and set fines, or "green fees", for countries distorting trade inside the region because of poor environmental standards.

The study predicts that the Nafta would create a net 171,000 new jobs in the US, with US surpluses in its trade with Mexico varying between $7bn and $9bn a year up to 1995.

"Ross Perot got it wrong," said Mr Fred Bergsten, director of the IIE. "There has been a huge sucking sound, as Perot described, but it has been due to US exports and the creation of American jobs." Mr Perot last year predicted a Nafta would create the "sucking sound" of US jobs lost to Mexico.

Mr Bergsten noted a $13bn swing in favour of the US in trade with Mexico since 1989, a shift which he estimates has already created 200,000-300,000 jobs in the US.

While 316,000 jobs would be created by the Nafta, the IIE report forecasts that 145,000 jobs would be "dislocated" – a bare 2 per cent of the 8.9m jobs lost in the US in the five years to 1990 because of plant closures, bankruptcies and lay-offs. It calls for $335m a year to be spent from existing tariff revenues for adjustment programmes linked with Nafta job losses, but calls for this to be part of a wider national worker training programme.

Mr Gary Hufbauer and Mr Jeffrey Schott, the authors of the report, recommend new negotiations to establish Mexican commitment to "aggressive enforcement of national labour laws and regulations". They call for a trinational commission to enforce labour standards, and authorise sanctions if governments fail to halt abuses.

However, they insist the ultimate value of a Nafta is in its boost to the competitiveness of regional industries, rather than in job creation.

"Efficiency benefits and growth stimulus could exceed $15bn annually. This figure, rather than jobs gained or lost, is the true measure of the economic gain from the Nafta agreement," which they see as one aspect of a wider US strategy aimed at improving competitiveness and productivity.

The assessment confirms, but is more optimistic than, the findings of a study just released by the US International Trade Commission on the potential impact of the Nafta. This predicts the trade pact would provide a lift of up to 0.5 per cent of real GNP in Canada and the US, with a potential increase of 11.4 per cent in Mexico.

The ITC says US exports to Mexico could be boosted from 5.2 per cent to 27 per cent by the agreement, with Mexico's exports to the US jumping by between 3.4 per cent and 15 per cent. It predicts aggregate employment gains in the US of "less than 1 per cent" of a workforce totalling 117m.

It points to "an almost discernible effect on US wage rates for both low-skilled and high-skilled workers" – a conclusion shared by the IIE study.

The studies coincide with signals from labour groups that they may be poised to moderate claims that the Nafta will be a catastrophe for workers and consumers.

As leaders of the influential AFL-CIO trade union grouping held their first executive council meeting since the presidential election, they hinted that US workers must come to terms with closer integration in Mexico, pressing for higher minimum wages in Mexico instead of opposing the Nafta.

**The Nafta scorecard**

| Nafta provisions | Grade |
|---|---|
| **● Market access by sector** | |
| Energy | C+ |
| Automobiles | B |
| Textiles and apparel | B+ |
| Agriculture | A |
| Financial services | B+ |
| Transportation | A |
| Telecommunications | B+ |
| **● Trade rules** | |
| Rules of origin | B+ |
| Safeguards | C |
| Subsidies and dumping | B |
| Dispute settlement | A |
| Government procurement | B+ |
| **● New issues** | |
| Investment | A- |
| Intellectual property | B |
| Environment | B |
| Labour adjustment | A |
| Maquiladoras* | B |
| **Average Grade** | B+ |

*Border factories with tariff advantages
Source: IIE, Washington DC

**THE Mexican government has reacted defensively to charges by Mr Richard Gephardt, majority leader in the US House of Representatives, that it is financing US companies to move to Mexico, writes Damian Fraser.**

**Mr Gephardt had complained in a letter to President Salinas that the Mexican government development bank, Nafinsa, has taken a 25 per cent stake in a company, Amerimex Maquiladora Fund, that is buying up US companies to move them to Mexico. So far, Amerimex has bought one textile company, and moved 40 per cent of its production to Merida, Mexico.**

**Critics of the proposed Nafta argue that American jobs will be lost, as companies move from the US to Mexico in search of cheap labour.**

**THE CLINTON administration is reviewing all US trade agreements, including that affecting Airbus, a spokesman for the US trade representative said yesterday, writes Nancy Dunne in Washington. But this was not to be taken to signify approval or disapproval.**

**The statement did little to satisfy industry and trade specialists in Washington puzzled by seemingly contradictory public pronouncements by the administration over last year's Airbus accord which sought to set limits on subsidies for civil aircraft programmes (the latest of which, the Airbus 340, is pictured above).**

**President Clinton triggered the speculation last week in a televised "town hall meeting" from Seattle, saying "the Europeans are going to have to quit subsidising Airbus".**

**Since the occasion was reminiscent of dozens of Clinton campaign appearances, the tough statement seemed to be no more than campaign rhetoric. However, Mr Mickey Kantor, US trade representative, seemed to echo the president the next day when he said the Airbus agreement had to be reviewed. Ms Laura D'Andrea Tyson, chairman of the Council of Economic Advisers, seemed to be setting the record straight on Sunday when she said: "My position would be that we should take this agreement, which we worked very hard and very long to get and make sure it is enforced."**

## Tokyo urged to open door for imports

# European business in plea to Japan

By Michiyo Nakamoto in Tokyo

EUROPEAN business leaders yesterday added their voice to a growing chorus of discontent with Japan's burgeoning trade surplus and called on the Japanese government to take a more affirmative and managed approach to the problem.

The Council of the European Business Community said cultural factors were in part to blame for Japan's growing trade surplus and suggested a more managed approach would go further in dealing with a problem that natural market forces had failed to solve.

The views expressed by the council, which represented European interests at the Fourth Import Board – an international forum of foreign businessmen and Japanese government officials held in Tokyo yesterday – are similar to those of an increasingly popular school of thought in the US. This says that, because of unique cultural factors, trade with Japan cannot be left to ordinary free market forces.

**Toyota's Thai joint venture, Toyota Motor Thailand, will invest about 9bn baht (£250m) over the next four years to increase car production capacity and set up a training centre for service technicians, the parent company said, Reuter reports from Tokyo.**

"The natural market forces are not sufficient to bring, in the short term, a new situation in which imports have a share commensurate with their relative price and quality," the council said. Since normal market forces have not been effective in changing the situation, "we are deeply convinced that the sectoral approach would be the most efficient means to reach improvements".

European representatives at the forum also called on the Japanese government to introduce succeeding supplementary budgets with firm funds directly allocated to government purchases of imported products. "What we are asking for is a special programme of imports for use by government agencies," Mr Henri Martre, honorary president of Aérospatiale, said.

Japan also needed to make bidding procedures for government procurement more open and fair and to ensure purchase decisions are not politically motivated but based on commercial considerations.

It was difficult to understand why Airbus, which has 30 per cent of the world market, had just 10 per cent of Japan's market, he said.

The council recommended that the Japanese government try to quantify the benefits of any programmes to boost imports and that it seek to match the best practice of the most liberalised countries in the EC rather than align itself with the minimum level of liberalisation.

In spite of the Japanese government's efforts, Japan had a trade surplus with the EC last year amounting to $32bn (£22bn). Imports into Japan from the EC fell 1.6 per cent while exports to the EC increased 14 per cent.

# Brazil clinches pipeline accord

By Christina Lamb in Rio de Janeiro

BRAZIL and Bolivia yesterday finalised an accord – first mooted in 1938 – for a $3bn project to build one of the world's largest gas pipelines amid considerable uncertainty over the financing.

Brazil's President Itamar Franco flew to the Bolivian town of Cochabamba to sign the protocol to begin work on the 3,400km pipeline to supply Bolivian gas to the main industrial centres of Brazil.

The first large project of Mr Franco's government, it aims to reduce the country's almost total dependence on oil from the Middle East. It was hailed by Mr Fernando Henrique Cardoso, Brazil's foreign minister, as a solid achievement for the government.

But it is unclear how funds will be raised for such an ambitious project. Bolivia is one of the continent's poorest countries and Brazil continues to wallow in economic crisis; its access to multilateral financing has been inhibited by the collapse of its last accord with the International Monetary Fund.

Negotiations are under way with the World Bank and private sector but a Foreign Ministry spokesman said yesterday: "We have not yet decided such technical points as finance."

The pipeline will transport daily 8m cubic metres, rising to 16m cu metres, of natural gas from Santa Cruz de la Sierra in southern Bolivia to the six principal cities of southern Brazil.

While diversifying Brazil's energy grid it will also reduce pollution and save money; the price agreed is equivalent to $6 per barrel.

The pipeline will provide an important source of new income for Bolivia, which is trying to reduce its dependence on tin and coca leaf. Previously all its gas was sold to Argentina.

The signing of the accord is an important victory for the São Paulo business community which has long been lobbying for it against heavy opposition from Petrobras, the state oil company which fears its monopoly will be threatened.

On the eve of Mr Franco's departure for Bolivia, Petrobras officials were still trying to turn him against the idea, arguing it would be better to buy from Paraguay.

# US orders drone aircraft from Israelis

By Hugh Carnegy in Jerusalem

ISRAEL Aircraft Industries, flagship of Israel's troubled state-owned defence sector, has received a welcome shot in the arm by winning a $240m contract from the US Defence Department for 56 unmanned aircraft in partnership with TRW, which is based in San Diego, California.

IAI will make the so-called drones – increasingly used by armed forces to probe behind enemy lines without exposing the lives of pilots – their payloads and ground stations in Israel. TRW will manage the project and carry out testing and training.

Earlier this month, the government agreed to provide a $280m restructuring package for IAI, the country's biggest company, to help it overcome a slump in sales which will result in a $50m-$60m loss when its 1992 results are reported.

Now set to lay off 1,500 of its 17,400 workforce, IAI is struggling to stay competitive with its international rivals and increase its sales of civilian products.

Ironically, last year it was the cancellation or postponement of several civilian aircraft contracts which knocked its annual overseas sales of $1.25bn back by $100m. IAI accounts for some 17 per cent of all Israel's industrial exports.

One of its successes has been its leading world role in producing unmanned aircraft, which are used chiefly in military reconnaissance work. IAI drones were used by the US armed forces during the Gulf war to oust Iraqi forces from Kuwait.

# Manila pressed to extend trade, investment reform

By Frances Williams in Geneva

MEMBERS of the General Agreement on Tariffs and Trade yesterday urged the Philippines government to go further in liberalising trade and investment policies which continue to hamper growth.

A report by Gatt economists, discussed yesterday by the body's governing council, says economic reforms over the past decade have opened up the Philippines economy and gone some way towards correcting its anti-export, import substitution bias. But import-competing sectors, especially in manufacturing, continue to be protected by trade barriers.

Average tariffs have fallen from more than 40 per cent to 25.6 per cent, with a further reduction to 20 per cent planned by 1995. Import restrictions have been removed, export taxes phased out and monopolies in commodity trade abolished. However, tariffs are higher for manufactured goods than for raw materials, while some key products are excluded from import liberalisation.

The report is particularly critical of the government's Car Development Programme which promotes the domestic industry. This is backed by restraints on imports of vehicles and components.

Gatt notes that, while restrictions on foreign investment have been eased, those that remain continue to deter would-be investors.

# S Korean leader turns to reformers

By John Burton in Seoul

SOUTH KOREA'S president-elect, Mr Kim Young-sam, yesterday appointed a group of reformists as his senior advisers in the Blue House, the executive mansion.

The appointments indicate that Mr Kim will pursue economic and political changes promised in last year's presidential election.

There has been considerable speculation in Seoul about whether Mr Kim would pursue reforms since his power base in the ruling Democratic Liberal Party is weak.

Mr Kim did not joined the DLP until 1990, when he merged his opposition party with the government of President Roh Tae-woo.

The new presidential aides, some of whom have criticised Mr Roh's policies, will play a key role, since Mr Kim appears determined to re-assert the power of the Blue House over the bureaucracy.

The Blue House, which strictly ruled the country under the former military dictatorship, has seen its power diluted under Mr Roh, who promoted bureaucratic decentralisation as part of his democratisation programme.

Mr Kim, however, believes that the bureaucracy is hindering political and economic reforms.

Mr Park Kwan-yong was appointed as chief presidential secretary, the most influential post in the Blue House.

Mr Park is a close confidant of Mr Kim and holds a parliamentary seat in Pusan, the new president's home town.

He joined the DLP in 1990 after being an opposition MP and began his political career by serving as an aide to Mr Li Ki-taek, who now heads the main opposition Democratic Party. He has criticised the National Security Law, which has been used to punish domestic dissidents, and has promoted inter-Korean relations.

Mr Park Jae-yoon was appointed as the president's economic adviser. A former director of the Korea Institute of Finance and professor at Seoul National University, he has advocated financial deregulation to improve the country's economic performance.

Mr Choo Don-shik, who has argued for political reform as an editorial writer for Chosun Ilbo, the country's largest newspaper, will the adviser for political affairs.

## Islamic groups 'holding Tajiks'

HARDLINE Islamic groups in northern Afghanistan are holding refugees from chaotic fighting over the border with Tajikistan against their will, a senior UN official said, Reuter reports from Kabul.

Tajikistan has protested to Afghanistan, demanding Afghan guerrillas stay on their side of the border. Moscow's Itar-Tass news agency said the protest notes that attacks on border patrols have now become frequent.

# Beijing frees top student activists

By Tony Walker in Beijing


Wang: human rights move

CHINA yesterday released the last two student activist leaders rounded up after the 1989 pro-democracy protests that led to hundreds of deaths in Beijing's central Tiananmen square after the army fired on protesters.

The early release of Wang Dan, who topped the most-wanted list, and fellow-student Guo Haifeng is a further indication that China is anxious to cool criticism of its human rights record.

Several other dissidents have been released recently or been allowed to leave the country, but many other people imprisoned after the protests are still serving terms of 10 years or more.

The New China News Agency said the freeing of Wang and Guo meant that "all the students who violated the criminal law during the anti-government disturbances in 1989. . . have been released".

Wang, a 23-year-old native of Jilin province, was an undergraduate history student at Beijing University. He organised "democracy salons" and founded a journal on political reform even before the pro-democracy movement began.

The freeing of the students, several months before their terms expired, comes on the eve of delicate trade talks with visiting US officials, the first high-level team from the Clinton administration to visit Beijing.

At the talks, China's huge trade surplus with the US will be discussed.

The dissidents' release also coincides with the presentation this week to International Olympic Committee members of documents supporting Beijing's bid to stage the Olympic Games in the year 2000.

Human rights groups have been opposing Beijing's candidacy in protest at China's continued imprisonment of political activists.

The release of the two students by no means closes the chapter on the Tiananmen square episode, however.

A number of "non-student" dissidents rounded up after the incident remain in prison.

In another gesture yesterday, China also freed a 76-year-old Roman Catholic bishop, who had been sentenced to 15 years' imprisonment.

The case of Bishop Zhu Hongsheng, sentenced to 15 years in prison, was unrelated to the pro-democracy protests but led to international calls that China allow more freedom of worship and his continued detention had prompted protests.

# UN team 'finds new Iraqi plant'

A UN inspection team yesterday made a surprise visit to an undeclared military factory south of Baghdad and said it had gathered fresh information on Iraq's ballistic missile programme, Reuter reports from Baghdad.

"We had a very busy day. We collected a very good deal of information," Mr Patrice Palanque, the team leader, said.

He did not say exactly where the factory was but he added: "This is a new site. To my knowledge it was not visited before (by previous UN inspection teams)."

It was Mr Palanque's fifth day in the field checking if materials produced by Iraq military factories breached the terms of the Gulf war ceasefire.

Mr Mark Silver, Mr Palanque's deputy, said that while they were inspecting the factory on the ground, UN helicopters watched the site closely from above.

Neither gave details of the new information but said it might fill gaps in their knowledge of Iraqi missiles.

Under Gulf war ceasefire terms, Iraq is allowed to keep only missiles with a range shorter than 150km. The rest will have to be scrapped along with the means to produce them.

Mr Palanque and his 13-member team arrived in Baghdad on Friday to check that Iraq is not storing or secretly producing missiles which are prohibited under the ceasefire terms.

● Iran said 1,000 Iraqi military men who fled to its territory during the 1991 Gulf war would return home today.

Iran's official IRNA news agency said the Middle East representative of the International Committee of the Red Cross had been informed of the planned repatriation.

IRNA, monitored in Nicosia, said 400 Iraqi military men returned home from Iran in November.

It did not say if either group included pilots of scores of Iraqi aircraft, including advanced fighters and bombers, which flew to Iran for safety when US-led allies launched air and missile attacks on Iraq to force it to pull out of Kuwait.

Iran, which fought Iraq from 1980 to 1988, remained neutral in the Gulf war.

# Laureates fight for Burma dissident

By Victor Mallet in Bangkok


The Dalai Lama relaxes for a moment during his impassioned plea for the release of Aung San Suu Kyi

A CAMPAIGN launched yesterday for the release of Ms Aung San Suu Kyi, the detained Burmese opposition leader, has rekindled a fierce debate in Asia about human rights and the merits of Asian countries intervening in their neighbours' affairs.

Eight Nobel Peace Prize winners, after being refused entry to Burma, came to neighbouring Thailand to start the campaign for their fellow laureate. Ms Suu Kyi won the prize in 1991 and has been held under house arrest for over three years by Rangoon's military junta.

The campaign has won support from the Clinton administration and prizewinners unable to come to Thailand, such as Mother Teresa and Mr Mikhail Gorbachev, former Soviet president. But China issued two warnings to Thailand in an unsuccessful attempt to prevent the Dalai Lama, the exiled Tibetan spiritual leader, from taking part. China invaded Tibet in 1950.

The campaign to release Ms Suu Kyi marks a break from the traditional South-East Asian policy of "constructive engagement" with Burma. Thailand's armed forces, enjoying lucrative logging concessions there, have criticised the Thai government for hosting a visit they fear will damage Bangkok's relations with both Beijing and Rangoon.

Gen Vimol Wongwanich, army commander, said such campaigns should be held in the US, not Thailand. "It's like inviting the battle into our house," he said. The Thai army banned the screening of an interview with the Dalai Lama on one of the TV stations it controls.

Previous Thai governments have bowed to Chinese pressure over the Dalai Lama, refusing him a visa in 1987 and 1990. But Mr Chuan Leekpai, the civilian prime minister elected on a liberal ticket last year, has allowed all the Nobel laureates into the country. Both he and King Bhumipol are scheduled to meet them.

In Bangkok yesterday, the Dalai Lama avoided overt criticism of China or Thailand, but implicitly chided them for supplying weapons and aid to the Burmese junta and suggested an arms embargo would be a good idea.

"In Thailand and everywhere, the value of human rights and of democracy is increasing," he declared. "In a new era, everyone is concerned about democracy, human rights and freedom."

The visiting laureates, including Archbishop Desmond Tutu of South Africa, northern Ireland peace campaigners Ms Betty Williams and Ms Mairead Maguire, and an Amnesty International representative, are to meet Burmese refugees today.

At the weekend some of them will go to Geneva to make a submission to the UN Human Rights Commission.

# Vietnam: a rocky road for investors

## A gaping lack of infrastructure contributes to problems, writes **Victor Mallet**

ONE of Vietnam's attractions for foreign investors is the size of its population: a plentiful supply of workers and a domestic market of 67m consumers is an enticing prospect for manufacturers.

Perhaps it is fitting that the Taiwanese, the largest source of foreign capital for Vietnam, should be among the first to suffer the consequences of overcrowding.

Completion of a huge Taiwanese industrial estate in a loop of the Saigon river in southern Vietnam is being delayed because the land is already occupied by scores of villagers who do not want to move without generous compensation.

"I am Vietnamese," says Mr Don Van Hien, a 56-year-old sawmill worker, when asked whether the industrial estate does not represent progress. "I'm looking forward to developing the country, but the government doesn't pay enough for us to move to another place."

The bare, flattened sand of the 40 hectares cleared so far – dotted with the occasional Taoist shrine which the developers have not dared to molest – comes right up to his doorstep. Behind him are the paddy fields and creeks where he and the other villagers supplement their income by farming rice or catching fish.

"I don't want to move," says Mr Hien. "The government wants to get more money to enrich the nation, but how can the poor people survive?"

The ambitious plans of the Taiwanese – and their trials and tribulations in seeking to implement those plans – demonstrate both the opportunities and the pitfalls confronting investors in Vietnam.

The Tan Thuan export processing zone, at 300ha the largest such zone planned for the country's industrial heartland around Ho Chi Minh City, is an $89m joint venture between the Central Trading and Development Corporation of Taiwan (which is owned by the ruling Kuomintang party) and Ho Chi Minh City's Communist people's committee. As in most such ventures the foreign partner provides the money and the skills and the Vietnamese provide the land.

"We have a lot of problems right now," says Mr Chow Hong-Lin, one of the Taiwanese managers at Tan Thuan.

First, there was a contingent of air defence troops who had to be moved out of their barracks in the future export processing zone; at one point they locked the gates and refused to go, and they were difficult to dislodge because they had guns. Then the villagers had to be compensated for moving. Some of them took the money and stayed in their houses, others built new shacks in other parts of the land earmarked for development. Now the company has to trace the descendants of the Chinese ancestors worshipped at the shrines to negotiate their removal.

Clearing the land is only the start. The ground is boggy and tonnes of sand were trucked in to level it. The underground water is dirty and Tan Thuan must pay $4m to have fresh water piped in from outside the zone.

Electricity is in short supply in southern Vietnam, so Tan Thuan, together with Hong Kong's New World Group, is planning to build a $250m thermal power station at a village 20km away. In the meantime the 15 brave companies which have already paid their deposits to set up factories in the zone are being encouraged to bring their own generators.

Transport in Vietnam is also notoriously difficult, so Tan Thuan proposes to spend $55m on building a 17km road to link the industrial estate to a main road; and it intends to build a new port on the Saigon river.

There are compensations of course. In exchange for building the road, Tan Thuan is to receive 600ha of land along the route, which represents an opportunity for lucrative property development in a prime area not far from the city centre.

But for the time being the project is like an obstacle course for investors. "When we built our zone at Kaohsiung in Taiwan, it didn't have anything, it was only a sandy beach," sighs Mr Chow. "We didn't have any problems."

# India liberalises kerosene imports

By Shiraz Sidhva in New Delhi

THE Indian government has announced a partial deregulation of the domestic fuels market as part of a pre-budget package which also includes a steep increase in sugar and coal prices.

New Delhi is keen to show that its economic reforms package is regaining momentum after last year's setback of the destruction by Hindu extremists of the mosque at Ayodhya.

To this end, it has liberalised the import of kerosene and liquefied petroleum gas (LPG) and has also allowed the private sector, both domestic and foreign, to enter the tightly controlled domestic fuels market.

A dual pricing system will make domestic fuels, at present in short supply, more expensive, but freely available on the open market.

The government will continue to retail kerosene oil through its public distribution system at subsidised rates, staining it blue to distinguish it from the open market kerosene.

Users of LPG cylinders will not be entitled to subsidised kerosene on ration cards as they are at present.

Opposition parties have criticised the government's 20 per cent increase in the price of sugar and the dual pricing policy of domestic fuels, even before the budget is presented on February 28.

The government yesterday announced an additional rise in the regulated price of coal, amounting to an increase of 11.8-12.8 per cent for different grades.

Soft coke, used for domestic purposes, has been spared.

# Suharto in army rejig

By William Keeling in Jakarta

PRESIDENT Suharto of Indonesia has named a new head of the politically powerful armed forces three weeks before presidential elections in which he is expected to stand for a sixth five-year term of office.

Gen Edi Sudrajat, at present army commander, will replace Gen Try Sutrisno as armed forces chief, overseeing the army, navy and airforce, in a move which will leave Gen Sutrisno free to stand as vice-president in March.

Gen Sudrajat's appointment is a further step in a wide-ranging reshuffle of top military personnel which began last July.

Favourite to fill Gen Sudrajat's post of army commander is Major-Gen Wismoyo Arismunandar, a brother-in-law to President Suharto and currently deputy army chief of staff.

# Keating in drive to win marginal votes

By Kevin Brown in Sydney

PRIME MINISTER Paul Keating of Australia yesterday stepped up efforts to win the support of voters in marginal seats by offering A$600m (US$406m) in federal funds to assist a financially embarrassed state Labor government.

Mr Keating said federal financial support was essential to help the state of South Australia recover from a A$3bn loss incurred by the government-owned state bank.

The offer was widely seen as an attempt to shore up Labor support in South Australia, where the government is defending four marginal seats in the federal election, due on March 13.

Labor trails the conservative Liberal/National Party coalition by up to 12 points in the opinion polls. The coalition needs a swing of 0.9 per cent to take power. Mr Keating's offer was accepted by Mr Lynn Arnold, leader of South Australia's minority Labor government. He said the bank would be privatised to reduce the state's A$7bn debt burden.

The privatisation, which was expected, is likely to take place next year. Analysts said the sale would probably return about A$1bn to the state government. Mr Keating's offer follows claims by the South Australian conservative opposition that the federal coalition would provide A$400m to the state over 10 years if it wins the election.

Mr Keating said he was not worried the offer would be regarded as an electoral bribe.

The government and opposition are also locked in a bidding war for the support of voters in seven marginal seats in the Queensland and northern New South Wales sugar belt.



# US tries to rekindle Mideast peace hopes

## Events are pressing heavily on all sides and initial optimism is being eroded, writes **Roger Matthews**

LITTLE IS likely to induce a deeper sense of *déjà vu* in the Middle East than the arrival in the region of a new American secretary of state on yet another fact-finding mission.

There is equally little to suggest that Mr Warren Christopher is going to learn much during the next few days about the peace process that he has not already gleaned from his experienced state department advisers and from his conversations in the past two weeks with the leading players.

This may be the inevitable price to be paid for a change of US administration.

But it could be a costly exercise at a moment when events and time are pressing ever more heavily on those in the Middle East most committed to negotiations.

Nearly 18 months and eight rounds of talks have passed since the opening ceremony in Madrid.

But with each succeeding week the initial optimism of Madrid is being eroded and the risk is increasing of events making it impossible for one or more of the participants to continue negotiations.

US officials rightly point out that the fundamental reasons which brought the representatives of Israel, the Palestinians, Syria, Jordan and Lebanon to the talks are still valid.

To a greater or lesser extent all of them accept the need for a negotiated settlement to the conflict that has blighted the world for more than four decades.

However, since the autumn of 1991 nothing has been done to build popular support for that stance. No delegation wishes to abort the process but the Palestinians in particular are finding it ever more difficult to continue.

The immediate crisis stems from Israel's decision on December 17 to expel 415 Palestinians from the West Bank and Gaza solely on suspicion of being active in Hamas and Islamic Jihad, two radical organisations opposed to the peace process.

Under intense US pressure and under the unprecedented threat of United Nations sanctions, Israel last week agreed to re-admit 100 and halve by one year the expulsion period for the remainder.

Mr Christopher and Mr Yitzhak Rabin, Israel's prime minister, hoped that last Friday's UN statement welcoming the concession as a step in the right direction would allow peace talks to resume. Their hopes were premature.

Mr Rabin's extreme reaction to the worsening violence in the occupied territories was designed in large part to placate Israeli public opinion.

The response by the Palestine Liberation Organisation and its negotiators is no less dependent on the mood in the West Bank and Gaza.

There, the harshness of the deportations, the increase in the killing of young people by Israeli troops and the arbitrary destruction of homes is working to increase the support for Hamas.

And it is cutting the ground from under the feet of the Palestinian negotiators who live in the occupied territories.

These events have to be seen against the hopes raised by Labour's victory in the Israeli elections last summer, won on a platform of reaching a swift agreement with the Palestinians, and on an American policy which, under the guidance of Mr James Baker, then secretary of state, had appeared to Arabs more even-handed than for many years.

The haste with which Mr Christopher welcomed Mr Rabin's offer to take back 100 of the deportees as a virtual end to the issue suggested to some that the US was tilting back more emphatically in Israel's favour.

If Mr Christopher wishes to reverse this impression, persuade the Palestinians to resume negotiations and bring the parties back to the substance of the peace process, he will, like so many of his predecessors, eventually come to the core of the issue which is the US-Israeli relationship.


Christopher: wants to listen

Although Russia is the co-sponsor of the peace process, responsibility for it is essentially American.

The US continues to give more than $3bn annually in military and civil aid to Israel and is additionally providing loan guarantees for a further $2bn a year.

Both governments officially refuse to acknowledge that these huge sums offer scope for diplomatic leverage.

But a middle-class America which is being asked to pay higher taxes could well come to a different conclusion if Israel is deemed to be unhelpful in building on what President Clinton described on Tuesday as an "historic moment" in the Middle East.

Mr Christopher says he wants to listen rather than to talk during his week in the region.

If he then concludes that what is most required is a clear and emphatic American response, his trip will not have been wasted.

The lesson learned by President Jimmy Carter, the last Democrat to inhabit the White House, remains valid. Israelis and Arabs cannot make peace on their own.

# Singapore refines its status as an oil centre

## Kieran Cooke reviews the recent and rapid growth of petroleum-related investments throughout Asia

LAST week British Petroleum, Caltex and the local Singapore Petroleum Company announced a S$1.3bn ($850m) refinery project in Singapore. This is significant, not just in dollar terms, since the centre of the world oil market is gravitating towards Asia.

The project was the latest in a long list of petroleum-related investments by Shell, Mobil, Exxon and others in Singapore. Even at a time when its balance sheet is dipping into the red, BP is investing about S$380m in this new facility.

In the west, oil refining and related activities are either stagnating or declining. In Asia, and particularly in Singapore, they are growing rapidly.

Singapore has become the world's third-biggest refining centre after Rotterdam and Houston. It now has a refining capacity of slightly over 1m b/d, supplying almost 40 per cent of Asia's imports of refined products. Singapore has also become – along with London and New York – one of the world's three main oil trading centres.

Singapore's geographical position, at the centre of the supply chain from the Middle East to Asia's main markets in Japan and South Korea, is one reason for its growth as a petroleum centre but it also benefits from the rapidly developing economies of southeast Asia.

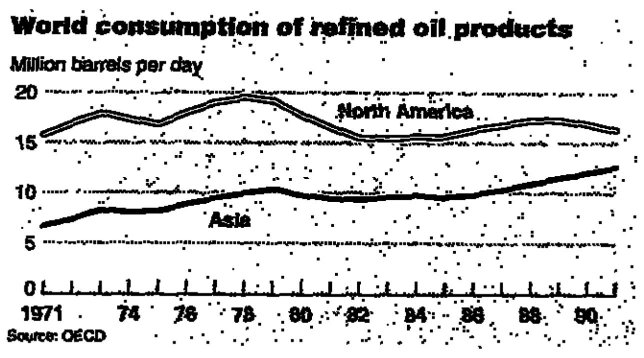
Oil consumption in the Asia region is now rising by nearly four per cent per year compared with a world average growth of about 0.5 per cent.

While Asia's own oil resources have been developed, the region's demand far outstrips supply. Only about 44 per cent of Asia's oil needs come from the region: the rest is imported, mainly from the Middle East.

New oil fields being developed in the region are unlikely to alter this trend. By the end of the decade, oil analysts estimate that the Asia region will be consuming nearly 20m b/d compared with 13.8m b/d at present.

China and Indonesia, both big regional producers, expect to become net importers by the end of the decade. The Gulf war, as well as Asia's fast economic growth, encouraged the expansion and upgrading programme in Singapore.

**World consumption of refined oil products**



Source: OECD

Kuwait had been supplying large amounts of refined products, particularly gas oil and naphtha, to Asia. Suddenly there were shortages. The war underlined the fact that Asia had not been investing enough in refineries.

Policies quickly changed: Japan brought mothballed refineries back into production, increasing refining capacity to nearly 5m b/d, and South Korea plans to double its refining capacity to 1.6m b/d.

But other less financially endowed countries baulk at the idea of spending precious financial resources on refineries. A relatively unsophisticated facility with a capacity of 100,000 b/d now costs between $1bn and $1.5bn.

In 1989 Indonesia announced plans to build nine more oil refineries. So far only one new refinery is under construction: expansion and upgrading work at existing plants was recently put on hold due to the introduction of tight government borrowing policies.

Singapore is in the fortunate position of having an established refining industry: it is far cheaper to expand and upgrade existing plants than build new ones. The oil majors have all been refining in Singapore for several years. Shell now has its largest refinery world-wide on the island.

While the upgrading process has been heavily capital intensive, it has led to cost efficiencies: Singapore is now regarded as among the world's most efficient refining centres and is attracting business from producer countries, most recently Kuwait and Bahrain.

A petrochemical industry has developed alongside Singapore's refining sector. Du Pont, Mobil, GE plastics and others are investing more than S$2bn in a variety of projects. A landfill project is planned which will unite five islands off the main island of Singapore into a S$4bn petrochemical complex.

Singapore interests have teamed up with Indonesian concerns to build what will be one of the world's biggest oil storage depots on the Indonesian island of Karimum, nearby to Singapore.

In time both Japan and China could become refining competitors of Singapore. But Japan's refining costs are still more than 10 per cent above those of Singapore, while China's domestic demand for refined products is likely to blunt any growth in exports. Thailand, which has embarked on a large refinery building programme, could provide some additional competition. But for now Singapore is sitting pretty.

# Japan's LDP rules out cut in income tax

By Charles Leadbeater in Tokyo

JAPAN'S ruling Liberal Democratic Party yesterday strongly hinted that an income tax cut would not be included in a special package to stimulate the economy, expected to be announced this spring.

Mr Hiroshi Mitsuzuka, chairman of the LDP's policy affairs research council who is co-ordinating the party's plans, said an income tax cut would be discussed only after a package of stimulative measures has been agreed.

Mr Mitzusuka said the LDP would push ahead with plans for housing-related tax concessions which would be designed to maintain the momentum of the rally in house building which has recently shown signs of running out of steam.

The party would also consider proposals for one-off tax rebates, rather than cuts in tax rates, Mr Mitsuzuka said. He indicated that the outlines of a special economic package would be announced as early as April 1, immediately after the 1993 budget is due to be formally agreed.

Mr Mitsuzuka's comments are the clearest sign yet that the LDP may be backing away from plans for a straight income tax cut, which is strongly opposed by the powerful ministry of finance.

The finance ministry believes a tax cut would deliver only a negligible boost to consumption, while at the same time risking starting a long-term deterioration in the country's public finances.

The timing of further moves to stimulate Japan's flagging economy has been complicated because the Y10,700bn (£62bn) special package announced last year is still working its way into the country's economy. However, a recent official survey found that only 5 per cent of companies had felt any benefits from the package.

About a third of the public works projects including in last year's packages are unlikely to be started until later this year.

Japan's industrial production fell 1.3 per cent in December from the previous month, according to revised figures issued by the ministry of trade and industry. The original figures reported a 1 per cent fall.

Tokyo money dealers ponder the rising yen yesterday after speculation that the US would further press Japan to cut its mounting trade surplus. The yen closed at Y119.25 to the dollar, equalling last October's high, as domestic exporting groups expressed concern over the yen's appreciation. See Currencies Page

# Importers fail to beef up consumer demand

## Foreign producers have difficulty getting to the country's small, specialist stores

By Robert Thomson in Tokyo

THE OPENING of the beef market has put more meat on Japanese tables, but an estimated 57 per cent of consumers are concerned about the safety standards of foreign producers, according to a study by the Economic Planning Agency.

When a strict quota system was relaxed in April 1991, after several years of difficult negotiations between Washington and Tokyo, there was a presumption in both countries that the lower prices of the imported product would encourage Japanese to eat more beef.

But the EPA's survey found that only 23 per cent of Japanese reckon that they consume more imported beef than before liberalisation and 12 per cent now eat less imported beef, even though it is 20 to 30 per cent cheaper than comparable domestic cuts.

The reason for the reluctance to buy more imported beef, most of which comes from Australia and the US, appears to be the success of campaigns run by Japanese farmers' groups to discredit the safety of imported meat.

From a video showing a family becoming ill after consuming imported meat to a flood of leaflets on food safety, the farmers' groups and affiliated consumer groups have created significant public concern about the use of growth hormones and additives.

Only 6 per cent of those surveyed considered that imported beef is tastier than the home grown version, while 48 per cent concluded politely that the foreign meat "does not compare unfavourably."

However, 15.4 per cent said "it looks bad" and a mere 1.7 per cent suggested that it is very tasty.

There was a striking difference in the place of purchase, which reflects the difficulty foreign products have in penetrating the country's small, specialist stores.

About 21 per cent of consumers said they bought their Japanese beef at specialist stores, while only 5.6 per cent used the same stores for imported beef.

However, 42 per cent bought the imported meat at large supermarkets, which tend to carry a broader range of products and are less bound by traditional distribution relationships. About 27 per cent of consumers bought their Japanese beef at large supermarkets.

The findings also highlight the success of Japanese producers in cornering the top end of the beef market, leaving the US and Australian suppliers to fight it out for market share in hamburger beef and cheaper cuts.

About 59 per cent of respondents said Japanese beef costs too much, while only 4 per cent thought foreign beef was overly expensive.

# Canada warned of risk in borrowing

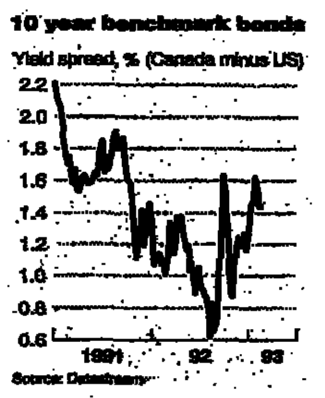
By Bernard Simon in Toronto

CANADIAN economists have warned that foreign investors are nearing the limit of their willingness to satisfy increasingly heavy borrowing by the federal government and 10 provinces.

In one of the biggest recent borrowing onslaughts, Ottawa and the provinces have flooded domestic and international markets with new debt issues to finance soaring budget deficits.

Growing Canadian public-sector debt has been reflected in a widening gap between Canadian and US interest rates, and bond yields, in the last six months and, more recently, in increased volatility of the Canadian dollar.

The risks were outlined in a report by the CD Howe Institute of Toronto, a leading economic think-tank, following a recent seminar attended by 20 economists, most of them employed by banks and securities firms.




Mr Ed Neufeld, chief economist of the Royal Bank of Canada, said that finance ministers should distinguish between short-term cyclical budget deficits and "structural issues".

The economists urged measures to improve fiscal imbalances, ranging from deep cuts in transfer payments to the provinces to the elimination of overlapping government services. However, they had little enthusiasm for large tax increases.

The warning coincides with growing political awareness of the risks posed by fast-growing budget deficits, especially among the provinces. Tax increases and public-spending cuts are expected to be a feature of the spring budget season.

The provinces raised more than C$10bn (£5.6bn) in debt in January, including a C$3bn global euromarkets issue by Ontario. Quebec earlier this week raised C$1.4bn in its first global offering. The recession has badly dented tax revenues at all levels of government and put heavier demands on Canada's generous social security system.

Mr Donald Mazankowski, finance minister, last December revised the federal government's 1992-1993 budget deficit upwards from C$27.5bn to C$34.4bn. Ontario's shortfall is now projected at almost C$11bn, three times the level two years ago.

The combined debt of Ottawa and the provinces has soared from C$50bn, or 29 per cent of gross domestic product, in 1975, to C$665bn, or 96 per cent of GDP. Canada's foreign debt-service burden relative to the size of its economy is now higher than that of Chile and Venezuela, and approaching the levels of Brazil and Mexico.

Mr Peter Nicholson, of Bank of Nova Scotia, said: "There is a limit for tolerance of even greater Canadian debt in foreign markets. This limit is likely to be reached suddenly and without a lot of warning."

Other participants at the seminar said that the federal election later this year or political uncertainty in Quebec might reduce appetite for Canadian loans.

But a government-finance specialist at one Toronto securities firm said yesterday that there was no sign yet of foreigners shunning Canadian government debt issues. He said that several borrowers – such as Saskatchewan, which recently raised C$400m in the domestic US market – have been offered more money than they were willing to take.

**A new element of volatility has entered Canadian politics in the run-up to this year's general election with a rapid erosion of support for the once fast-growing Reform party, writes Bernard Simon.**

**Reform's populist, right-of-centre policies had been expected to drain considerable support from the ruling Progressive Conservative party, especially in the western provinces of Alberta and British Columbia.**

**Many political observers had predicted that the most likely outcome of the election, expected in early autumn, would be a minority Conservative government supported by as many as 30 Reform MPs. Reform currently has only one MP.**

**But according to the latest Angus Reid/Southam poll, support for Reform in Alberta, its stronghold, has halved in the past year to 21 per cent, with a five-point decline in January.**

**An Angus Reid official said yesterday that many voters, nervous at the prospect of a hung parliament, appear to be returning to the three traditional parties – the Conservatives, Liberals and New Democratic party. The Liberals, the main opposition party, remain well ahead, with 46 per head of the decided vote, against 18 per cent for the Conservatives.**

Royal Bank of Canada chief economist Ed Neufeld: cyclical or structural?

# Housing starts in US fall back

US HOUSING starts fell 7.2 per cent in January to the lowest level in six months, the government said yesterday, AP reports from Washington.

Analysts attributed the decline in part to bad weather, but most agreed that housing growth was likely to slow from last year's pace. Construction advanced 18.4 per cent in 1992.

Starts rose only in the south in January, and fell sharply in both the north-east and west. The Commerce Department said construction of new single-family homes and apartments totalled 1.19m at a seasonally adjusted annual rate in January, down from 1.29m a month earlier.

## Troops quell Venezuela riots

Venezuela has used troops and police to put down rioting and *looting in two of its provincial* capitals, writes Joseph Mann from Caracas.

Crowds took to the streets in the eastern city of Cumana and in Barinas, in western Venezuela, on Tuesday. They were provoked by a Supreme Court decision to suspend "temporarily" a repeat of gubernatorial elections, scheduled for March 14. The results of the original elections, on December 6 last year, were inconclusive.

The army, national guard, and marines took control of the two cities, where one person *was reported killed*, scores injured and several hundred arrested. Clashes continued in Cumana yesterday.

## Iglesias re-elected as IADB president

Mr Enrique Iglesias, president of the Inter-American Development Bank, has been re-elected by the board of governors for a second five-year term, Nancy Dunne writes from Washington. Mr Iglesias, who is widely respected, is presiding over a $22.5bn (£15.8bn) lending programme for 1990-1993 and record levels of bank lending.

# Rescue of NY Post in doubt

By Alan Friedman in New York

THE RESCUE of the New York Post, the smallest and most *sensational of New York's* three big tabloids, could be in jeopardy following a legal victory by the Securities and Exchange Commission (SEC) against a company controlled by Mr Steve Hoffenberg, the newspaper's prospective buyer.

Towers Financial, Mr Hoffenberg's debt collection and factoring *business, has consented* to the SEC's demand for control over the company; it has agreed to the appointment of a trustee and to limits on expenditures as requested in a lawsuit by the SEC.

The SEC alleged that Mr Hoffenberg's company had fraudulently sold $215m (£151.4m) of notes and overstated its assets by more than double. Towers Financial was described by the SEC as insolvent.

# Franco puts boot into lumbering state sector

## Brazil's president feels betrayed by debt-ridden companies, writes **Christina Lamb**

WHEN the Brazilian President Itamar Franco assumed office last year one of his first complaints was that the use of an elephant to symbolise the state in the campaign for privatisation was "derogatory" to such a valiant sector. Not only did he suspend the elephant but the entire privatisation programme.

Mr Franco's rose-tinted view has been clouded by the discovery of the sector's drain on the exchequer. The state sector now holds almost as much debt as Brazil's entire foreign debt. Its arrears on taxes and social security contributions amount to $8.7bn (£6.1bn) – more than the government is struggling to raise through its proposed fiscal reform. Already this year the central bank has provided $400m of its reserves to enable state companies to keep up payments *to international creditors.*

Saying he feels "betrayed" by state companies and "their intolerable privileges", this week Mr Franco ordered an investigation into their activities and slashed salaries of directors by as much as half. Legislation is awaiting Senate approval to allow parastatals to be declared bankrupt and Mr Franco says he may review the monopoly status of some.

As a result of an intensive state-led development programme begun in the 1950s to make the country self-sufficient, Brazil has 159 state companies involved in everything from gold-mining, oil, aerospace and shipping to manufacturing of computers, steel and fertilisers, and employing 730,000 workers.

This year state companies are projected to lose $5bn through waste and inefficiency, spend another $6bn servicing debt of $93.3bn, and take out of the budget $8bn for investment just to end the year at the same point as they started.

In return they will pay back $10bn in taxes, leaving a net drain of $9bn. Mr Joel Korn, president of Bank of America in Brazil, says "this is the real cause of inflation".

*While Mr Franco may have ideological* objections to selling off these companies, he wants to stop them bleeding the economy. To the alarm of the company presidents, he is refusing to authorise the traditional monthly inflation-plus adjustments in tariffs without cost plans. Even Petrobras, the usually sacrosanct state oil company, is to undergo an audit. In the energy sector he has proposed legislation to allow different rates in different parts of the country.

Unravelling the finances of state companies is not an easy task. Not only are their costs often a mystery but a huge web has been created of interlinking debts.

According to Economy Ministry figures, the champion debtor is the electrical sector. Eletrobras, the holding company with assets of $36bn, owes $59.2bn including the debt on Itaipu, the world's largest hydroelectric project, and has arrears of $12.4bn against projected profits this year of just $100-$500m.

More than half the state sector debt is in foreign and domestic bank loans and multilateral financing. A further $18.9bn is in debentures issued over the last decade to capitalise holdings. *Another $2.9bn is owed to suppliers* and construction groups.

Many state companies would have been declared bankrupt long ago had they been in private hands and, if the new legislation is approved, several may not be long for this world. Favourite candidates are Cosipa, a steel mill, which has overdue debt of $1.1bn – equal to its yearly revenue and needs $300m to pay suppliers, and Lloyd, the paralysed state shipping company, which retains 1,100 workers for just two ships and last year suffered losses of $85m.

Seven out of 10 parastatals are inefficient, according to Mr Jose Manoel Goncalves de Oliveira who recently co-ordinated a 1,400-page study on Brazil's infrastructure for the Electrical Association. In the energy sector, for example, Brazil needs five times as many people as Canada to produce three times less energy.

The telephone service, it says, is "falling from third to fourth world levels" with 24 out of 100 calls not connecting. Brazilian ports are the least efficient in the world with costs of $15 to load a tonne of soya compared to $2 in the US and $4 in neighbouring Argentina. "How can a country think about being competitive internationally with these conditions?" asks Mr Goncalves.

However, state companies' directors claim that, had they not been state-run, they would not be in this situation. They point out that successive governments have kept public sector tariffs artificially low to suppress inflation and have constantly meddled with directors for political or even corrupt ends.

Petrobras has had seven presidents in the last three years. Directors of the National Steel Company complain that the bureaucratic straitjacket of the state has denied them the flexibility to compete with recently privatised Usiminas. The government cash crisis has also blocked desperately needed investment.

Privatisation would seem the obvious answer, but for Mr Franco's belief that there is something inherently wrong with selling off state assets. His decree on privatisation issued last month gave him imperial powers over the process and investors have not been optimistic that the programme will restart as promised next month.

However, there are indications that Mr Franco may be changing his mind. He said this week: "The concept of a state enterprise that I defend is one that serves the interests of the state and not of interest groups."

He left little doubt as to which category he thinks Brazilian parastatals belong.

# Lamont faces cabinet pressure not to raise taxes

By Peter Marsh, Emma Tucker and Philip Stephens

MR NORMAN Lamont, chancellor, will be cautioned by cabinet colleagues this morning not to risk aborting economic recovery by introducing large tax increases in his March 16 Budget.

The discussions will take place after better-than-expected retail sales statistics lifted hopes for an end to the recession. Retail sales volumes increased by 1.6 per cent last month compared with December, and by 2.3 per cent on the previous January in the biggest annual rise for nearly four years.

The seasonally-adjusted retail figures from the Central Statistical Office indicate that retailers, helped by heavy discounting, have bounced back in recent weeks after a disappointing December in which sales volumes dropped a revised 1 per cent on the previous month.

Despite the relatively upbeat tone of the figures, sterling fell last night to a new closing low in London against the D-Mark. The pound slipped against the German currency on the back of expectations about a further cut in UK interest rates, even though Mr Lamont told journalists he had no reductions in mind.

Sterling dropped 1¼ pfennig against a stronger D-Mark to a London close of DM2.35, while against the dollar, the pound slipped by a third of a cent to $1.4440.

Mr Lamont welcomed the retail sales figures as "extremely encouraging" and said that rates were "at a suitable level" to keep inflation down and were also consistent with recovery.

The cabinet's traditional review of the background to the Budget will see the chancellor warn that the sharp deterioration in public finances may force some increase in taxation in one of his two Budgets this year. That view is thought to be shared by a number of leading cabinet figures including Mr Kenneth Clarke, home secretary. Many are convinced that Mr Lamont will have no alternative but to extend the Value Added Tax net to goods and services which are at present zero-rated.

A majority of senior ministers are thought to favour delaying big changes until the second Budget in December even if Mr Lamont decides to "flag" them next month.

It also emerged yesterday that the Treasury has been told by the Washington-based International Monetary Fund that taxes should be raised in order to cut the rising gap between government receipts and spending. The public sector borrowing requirement is expected to rise to about £37bn in 1992-93 from £13.7bn in 1991-92.

Last night the Treasury said it could not discuss the UK's fiscal stance before a full exposition by the chancellor of the subject on March 16.

# Labour leader urges party to back Maastricht

By Ralph Atkins and Alison Smith

MR JOHN Smith, the opposition Labour leader, succeeded yesterday in persuading most of his party's MPs not to back "wrecking" amendments on the government's bill to ratify the Maastricht treaty.

The move will help the government ratify the treaty. But Mr Smith told the parliamentary Labour Party his determination to continue pushing for Britain to implement Maastricht's social chapter.

Mr Smith said he was not convinced by the government's latest legal verdict that Labour's amendment 27 on the chapter could be ignored if passed.

The government, meanwhile, has decided that either the Attorney-General or Solicitor-General will be "on call" at all times when the Maastricht bill is debated by MPs.

The decision follows the embarrassing U-turn on Monday when Mr Douglas Hurd, foreign secretary, told MPs that earlier Foreign Office legal advice had been wrong.

Last night, Mr Hurd warned a meeting of backbench Conservative MPs that if Britain did not ratify Maastricht, it risked losing influence at the United Nations and in the US, as well as in Europe. But he met some anxiety among Tories that the latest legal advice might not stand up to the probing it is likely to receive.

The test for Mr Smith came when Euro-sceptic Labour MPs tried to get a pledge that a Labour amendment opposing the European Central Bank would be pushed to a vote when debated by the Commons. If passed, the amendment would have the effect of wrecking the bill.

Mr Smith said the issue was a "straight political question" – whether Labour wanted to reject Maastricht or build on the treaty. He backed greater accountability of the proposed bank but said there would have to be compromises.

The Labour leadership, however, will not say how it will instruct its MPs to vote when the Maastricht bill reaches its third reading – the final stage of its passage through the House of Commons.

Several leading members of the opposition say Labour should at least abstain if the social chapter is not incorporated.

Yesterday Mr Paddy Ashdown, Liberal Democrat leader, sought to increase the pressure on Mr Smith, asking in a letter for to say how the party would vote. "We can never have the social chapter if the Maastricht treaty is destroyed," Mr Ashdown said.

# Archbishop offers vision of Europe

By David Marsh
European Editor

For Dr George Carey, ecumenism à la Maastricht has its limits. Although the Archbishop of Canterbury gives a general blessing to European integration, he draws the line at the idea of monetary union leading to the head of his Church disappearing from English pound notes.

"I want the Queen's head on the banknotes. The point about national identity is a very important one. For me being British is deeply important. I don't want to become French or German," Dr Carey says.

Speaking squashed into a window seat overlooking Westminster Abbey during the Church of England synod this week, the Archbishop spelled out his vision of how Britain and European could come together.

"To be British is not in competition with being European," says Dr Carey, who developed the theme during a visit last week to Strasbourg and Brussels to see leaders of the European parliament, the Council of Europe and Nato. His talks showed him: "There is a great anxiety and desire for Britain to belong to Europe and be committed to it.

"We as a nation come across to mainland Europe as reluctant Europeans. We are brought it into it squealing rather than rejoicing... Our future is in Europe. Away from Europe we would decline into a little offshore island because America is not going to do very much for us and the rest of the world isn't [either]."


Archbishop Carey: "Being British is deeply important. I don't want to become French or German"

Dr Carey displays studied benignity towards Maastricht's arch-opponents. "I think the Maastricht treaty is rather like Stephen Hawkins' 'A Brief History Of Time'" and the 'Satanic Verses.'" People have got very fixed opinions about it without having read it. I think we need to help people understand the general shape of it."

The Archbishop has set up an inquiry to look into the FT's disclosure last year that nearly £500m has been wiped off the value of Church of England property investments as a result of heavy borrowing to finance speculative property developments. "I'm grateful for the Financial Times. I want an open Church in an open society. I can promise we're not going to whitewash it. The Church people who have given the money need to know where the money is going to."

Dr Carey believes his Church, in co-operation with churches elsewhere in Europe, has a central role in steering Europe down the path of righteous integration.

"When you are European in the Community you are member of a trading community. But one of the points I've been putting out there is that you have to move from selfishness to altruism. Most of us are in the Community for selfish reasons, for economic reasons, for materialistic reasons. That's not a good enough reason to belong. There have got to be cultural and spiritual reasons... If we end up with a fortress Europe, that's not a Christian Europe."

The Archbishop also voices strong support for EC emphasis on subsidiarity – allowing government decision-making to be carried out at the lowest level. "This is deeply important... It comes from a Christian philosophy."

## Britain in brief

### Study backs full EC integration

A two-speed Europe could deprive south-east England of annual income of up to £10bn, according to a report published today backing a full UK role in European integration.

The study, by the European Policy Forum, was commissioned by the Corporation of London to underline the potential losses to the City if Britain failed to ratify the Maastricht treaty. It says that "detachment" from the EC – the postulated result if Maastricht were not ratified – could lead to "marginalisation" of the south-east, which would revert to a lower level of income and investment.

### Tough auditing rules planned

Companies will be forced to show many more assets and liabilities on their balance sheets under radical new rules proposed by the Accounting Standards Board.

Fred 4, the financial reporting exposure draft on off-balance sheet financing, will have a substantial effect on the accounts and reported borrowing ratios of banks and many other companies. The guidelines, which could become a mandatory standard by the end of this year, provide tough new requirements on the treatment of complex devices which have been used by a growing number of companies to conceal the impact of transactions in their accounts.

### Games could be worth £4bn

Staging the 2000 Olympic Games in Manchester could be worth at least £4bn to north-west England and create the work equivalent of 11,000 full-time jobs, according to KPMG Management Consulting. About £2.5bn would be generated by capital investment in facilities, environmental improvements and regeneration projects. In addition, KPMG said running the games would be worth £1.5bn in sponsorship, media activity, merchandising, tourism and additional income to the region.

Manchester is bidding against Brasilia, Berlin, Milan, Istanbul, Beijing and Sydney.

### Peugeot Talbot strike warning

Peugeot Talbot warned its 3,500 manual workers not to go on all-out strike from the end of tomorrow for higher pay because they will threaten their job security.

In a letter to all employees Mr Mike Judge, the company's personnel director said Peugeot Talbot would not improve its current two-year pay offer of 3.5 per cent this year and the greater of a further 3.5 per cent in 1994 or inflation increase.

### BT and Oftel agree deal

Businesses which make extensive use of private telecommunications networks will be able to predict their costs with greater confidence as the result of an agreement between British Telecom (BT) and Oftel, the industry regulator.

The organisations have agreed a formula controlling the prices BT will charge for private circuits over the period 1993-1997. It sets a cap of the rate of inflation on three families or "baskets" of private circuit – national analogue circuits, national digital circuits and international circuits.

### Secretarial pay rises by 5.7%

Secretaries of chief executives received pay rises of 5.7 per cent last year, compared with increases of 3.2 per cent for departmental secretaries and 2.8 per cent for clerk/typists. The figures, published today by Reward, the pay research group, show that clerical and secretarial pay has outstripped inflation by a substantial amount.

# A scar that will persist for many years to come

**Britain faces the certainty of 3m unemployed. If not today, then soon. More chilling is the fact that the figure will remain high even when the economy recovers. Edward Balls reports**

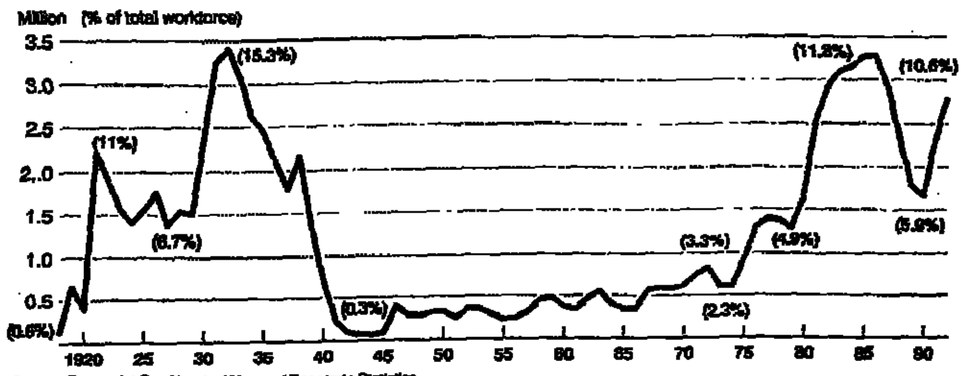
IF unemployment does not pass 3m in today's headline figures it will next month and the prospect of another year of sluggish growth means the jobless total will grow well into next year.

Yet the attention-grabbing fall and rise in the level of unemployment over the last few years obscures the more chilling feature of Britain's record: the rising level of unemployment that persists whether the economy is in recession or growing fast.

While the pace and timing of the recovery is hotly disputed, no economists in the City of London expects unemployment to return to pre-1970s days when fewer than 1m were out of work:

- Optimists such as Mr Kevin Gardiner at S G Warburg Securities expect unemployment to peak at 3.2m in the fourth quarter of this year and to fall below 3m in early 1995.
- Pessimists such as Mr Gerard Lyons of DKB International expect a sickly recovery to push unemployment to a peak of 3.6m in 1995 and keep it above 3m throughout the next decade. Either way painfully high unemployment levels are here to stay for years to come.

**Post-war UK unemployment on a rising trend**



Source: Economist One Hundred Years of Economic Statistics

Why is the underlying level of unemployment so much higher today than twenty years ago? Britain's repeated rollercoaster rides between boom and recession make it tempting to blame government mismanagement for persistently high unemployment, especially after three wrenching recessions in fewer than two decades.

But while the UK has had much deeper recessions than its European counterparts, it is not alone in being dogged by persistently high and rising unemployment, although the rise in continental European unemployment may have occurred less spasmodically.

Britain's unemployment rate has risen by more than that in any other member of the group of seven leading industrialised countries over the past two years.

The rate started rising, however, from a lower level than in most of its European counterparts, and is even now barely above that in recession-bound France.

The standard explanations for persistently high unemployment – powerful trade unions, generous unemployment benefits or an immobile workforce – do not fit well with Britain's 1980s experience.

The Thatcher government deregulated the labour market, making it easier to hire and fire workers, and encouraged a large rise in female employment; it saw trade union membership fall and the number of strikes decline; it cut the level of unemployment benefits relative to average wages; and more workers than ever before bought their houses and moved between regions.

Yet at the peak of the late 1980s boom, when skilled and unskilled vacancies across the country had recovered to their levels of the late 1970s, unemployment remained higher than in any other post-war decade.

The explanation lies in the attributes and the aspirations of the unemployed themselves. Technological change and competition from low-cost developing country producers has reduced the demand for unskilled labour other than in low wage, often part-time employment.

These jobs, often in the service sector, have been mainly taken by female entrants into the labour market.

Meanwhile the demand for the services of unskilled men has collapsed, at least at wages they are willing to accept.

Most of the long-term unemployed in the 1980s were male, lived and worked in the industrial heartlands of the north of England and had no educational qualifications.

Many of these men have slipped off the unemployment count and are now officially counted in statistics as being economically inactive.

The mythology of the current recession suggests that this time round its is architects, lawyers and other middle-class professionals in the south-east who are suffering. But this a misleading caricature.

Like all myths, there is some truth behind it. Unemployment has risen much faster in the south of England than in the north and has hit mortgage-holders harder than people who live in rented accommodation.

Unemployment rates for professional workers have risen, while they barely changed in the 1980-81 recession; and unemployment rates have risen for all groups, regardless of differing educational qualifications.

The fear of unemployment among professional and indebted home-owners is also partly to blame for the lack of recovery. Yet the professions and service sectors haven't taken the brunt of this recession. Employment in service industries has fallen by a little under 500,000 since the recession began but manufacturing employment has fallen by over 700,000.

The unemployment rate for people who worked in manufacturing has risen by 5.8 percentage points since 1989 compared to 2.4 percentage points in banking and finance. Unemployment rates have risen much faster for men and young people than women, and for people in unskilled blue- or white-collar occupations than professionals.

The recession is spreading the effect of falling demand for low skill labour to the south and to the service sector. Even when recovery comes, many of these lost jobs will only return at increasingly low wages.

It is the poorly educated, not the frightened middle classes, who will still be bearing the brunt when this recession is just a painful memory.

Samuel Brittan, Page 18

● Wolverhampton: long-term unemployment – short-term thinking ● Lewes: painful attrition in the south-east

## Quarter of workforce experiences loss of job

By David Goodhart and Edward Balls

ABOUT one-quarter of the workforce has experienced unemployment since it started rising in early 1990 and almost exactly half the unemployed are now homeowners, according to a Financial Times analysis of government data.

These, and other figures, illustrate why unemployment is taking a far heavier toll of economic confidence than in previous recessions, and why the government is urgently considering a package of measures aimed at the "white collar" jobless to accompany the March 16 Budget.

The government will today announce that the raw unemployment total, not adjusted for seasonal variation, has breached the 3m barrier for the second time in a decade.

The seasonally adjusted figure will remain just below the 3m mark but today will still be marked by national demonstrations and a lobby of Parliament organised by the Trades Union Congress as part of a Jobs Action Day.

The FT analysis has found 49 per cent of the unemployed own or are still buying homes compared with 50 per cent who live in rented accommodation.

The increase in unemployment among mortgage holders is also illustrated by the government's figures for income support, the main benefit for the unemployed, which covers mortgage interest payments.

In 1990 income support was paying out £544m for mortgage interest which rose in 1991 to £949m - almost 10 per cent of the £10bn which income support spends on the unemployed.

Manufacturing has continued to lose a far higher proportion of jobs than the service sector between 1989 and 1992 – minus 14 per cent compared with minus 1.5 per cent. But in previous recessions the same 10 to 15 per cent cent of the workforce has moved in and out of employment whereas the reach of unemployment has this time extended much further both occupationally and regionally.

11.3m have joined the unemployment count since April 1990 which, even allowing for a considerable amount of double counting, means that around one-quarter of the workforce have been affected.

The unprecedented increase in unemployment in the South is also show by the fact that 35 per cent of the long-term unemployed live in the South compared with 58 per cent in the North, in 1984 the corresponding figures were 29 per cent and 67 per cent.

## The town condemned to two decades of decline

By Paul Cheeseright, Midlands Correspondent

WOLVERHAMPTON is a symbol of the nation's industrial decline. It ran into trouble in the 1970s and the recession of the 80s dealt its economy a blow from which it has not recovered. The recession of the 90s is akin to stopping a baby's feed when the milk bottle is half full: the baby survives, but miserably.

The unemployment rate in the town is nearly 16 per cent. As many as a third of males in some inner city areas are out of a job. "In under 20 years we have gone from full employment to the worst area of the west Midlands in terms of unemployment," says Mr Dennis Turner, Labour MP for Wolverhampton South East.

Twenty years ago, civic leaders complained that "national policy on the location of industry continues to leave this important industrial area without its second-generation metal using and forming industries, and appears to deny it growth of almost any sort."

That chicken came home to roost in the late 1970s. In the eight years to 1986, manufacturing industry shed 20,000 jobs. In autumn 1986, when the national economy was experiencing high growth, unemployment in Wolverhampton was above 20 per cent. In 1978 there were 20 companies with more than 500 employees. By 1989 there were only nine.

Mrs Gillian Shepherd, the employment secretary, said last weekend that two out of every three people now losing their jobs were back at work within six months. In Wolverhampton, the proportion out of work for longer than a year was more than 40 per cent.

The Rev Michael Godfrey, an Anglican industrial chaplain, is one of those trying to pick up the pieces. He is attempting to keep open the Cannon Industries' fires and cookers plant. The company, part of the GEC group, wants to close its local plant and consolidate production at Stoke-on-Trent.

**'Every young person you speak to has had a period of unemployment...it shifts the attitude of loyalty because they don't have any to a particular employer. People just think short-term'**

"Every young person you speak to has had a period of unemployment, and they just take it," he says. "Unemployment shifts the attitude of loyalty and community because they don't have any to a particular employer. People just think short-term."

There is, he suggests, a "great survival mentality" which comes out in "the sheer determination to hold on if you do have a job, and this is what I detect at Cannon".

Expectations are narrowing, leading to what Mr Andy Flockhart, deputy chief executive of Wolverhampton borough council, calls the key structural problem – "a low skills level, low aspirations and the loss of semi-skilled jobs".

A third of the town's employment is in manufacturing, still higher than the national average. "While this has contracted from 40 per cent, our services sector has not been growing to take up the slack," Mr Flockhart says.

The civic vision is of Wolverhampton as "the biggest and most prosperous centre between Birmingham and Manchester," according to Mr Bill Clarke, the Conservative council leader.

Its service sector would be enhanced by redevelopment of the Molineux football ground and the Dunstall Park racecourse. Its manufacturing base would be strengthened by the creation of a science park linking the local university to engineering leaders such as GKN Technology, Goodyear, IMI and Lucas Aerospace.

Such plans, in the face of two decades of decline, have been slow in emerging. Mr Turner put that down partly to "the general reluctance of government to see local authorities playing any real part in the regeneration of industrial communities." Mr Clarke believes that "the view has taken root across political parties in Wolverhampton that, unless there is a joint approach, development will not take place".

Either way development will be slow. "People don't use the word 'hope'," says Mr Godfrey.


The Horseleyfields area of Wolverhampton – "people don't use the word hope"

## The architect fighting to survive in the south-east

By Emma Tucker, Economics Staff

"I'm 48, married, I have three children at school, a mortgage and a profession I cannot use. At my age I sometimes wonder whether I will ever work again."

Sitting in the back room of his home, the old toll cottage on the Lewes to Uckfield Road, Christopher Coomber, reflects.

Three years ago he was senior architect at McCarthy and Stone in Eastbourne; one day between jobs in the 1960s was the extent of his experience of unemployment.

He is not alone. Lewes, the county town of East Sussex in southern England, has bustled its way through previous economic slowdowns, cushioned by jobs in local government, Sussex University, and the affluence that naturally gravitates towards the pretty market town. But this time it has suffered along with the rest of the country.

"I suppose it's a better quality unemployment you get here," shrugs Mr John Crawford, chief executive of Lewes District Council, peering over an aerial view of the South Downs which shows the town clumped in the middle.

"When I came to Lewes I thought nothing would ever touch its economy. I thought it was so strong with the law courts, County Hall, and the fact that the retailers enjoyed a very established market. But I would revise that opinion now."

The town has not been the victim of headline-grabbing redundancies. Instead it has suffered from the gradual attrition of a once stable employment base, resulting in one in 10 people out of work. "It has been a few here and a few there," says Madeleine Mayhew, a reporter on the Sussex Express. "It only takes the branch of one bank or retail chain to pull out, to make a difference."

Unemployment hit Christopher Coomber hard; first the dog and then the family felt the brunt of his quickening temper. Money, he says, was one reason. "The subs for the my children's scouts are £10 a term and when I look at the Scout master smiling and asking if I can pay next week, it really hurts."

At times even now the pressure gets too much. Then Christopher is to be found walking out across the fields behind his house, smoking cigarettes he can't afford. "I think back to what I was earning, and how I thought that wasn't enough. And now I have nothing."

Meanwhile he has lost touch with his profession. "I have lost interest in what is happening, and the gossip. I used to be in contact with what other people were doing, but I have dropped out and don't really care any more."

East Sussex County Council's figures show that unemployment in the Lewes district – which includes Newhaven and Seaford – rose by 37.6 per cent last year, while Ms Mayhew reports that Stena, the ferry operators in Newhaven, received more than 400 applications for one recently advertised clerical post.


Ashley Ashwood
Unemployed architect Christopher Coomber tries to rebuild his future

Wealthy commuters living in Lewes's surrounding villages have lost jobs, and virtually all have seen the value of their homes tumble. This has put pressure on retailers.

**'I think back to what I was earning, and how I thought that wasn't enough. And now I have nothing...I used to be in contact with what other people were doing, but I have dropped out and don't really care'**

"The high street is all charity shops, banks and building societies – the kiss of death," says Mr Rudi Simmonds, president of the Lewes Chamber of Commerce. "Lewes is fed by its hinterland, by the people who make their money in London. But they are drawing in their horns."

The quiet crisis has compelled the district council to produce an economic development strategy. But the council knows its limitations and is aware that it cannot compete against other areas in East Sussex for increasingly tight state funds.

"We are trying to break through the perception that everything must be all right because it is the south-east," Robin Beechey the county Chief Executive says.

Already the county has the lowest average wages in the south-east and the fact that over 75 per cent of companies in East Sussex employ ten or fewer people, has made the region particularly vulnerable to this recession.

Brian Renville, at the Lewes Job Centre says he has seen everyone from accountants, systems analysts and engineers, as well as unskilled workers join

the ranks of people like Mr Coomber, who at the age of 48 is considering retraining, even though the prospect is daunting. "I am thinking of doing anything at all, because in another ten years I am going to go nowhere," he says.

Even when the national economy picks up some fear that Lewes will lag the rest of the country. An export-led recovery would make little impact on a county where only 14 per cent of the workforce is in manufacturing – the lowest percentage for any county in England.

# The tough job of spreading thin pickings among the jobless millions

By David Goodhart, Labour Editor

IF THE past 20 years has proved anything it is there are no simple, cheap solutions to unemployment.

Yet there are some that are relatively low-cost. One idea is to spread the available work more evenly across the whole population; another is to overhaul the benefit system to make it more employment-friendly; and a third involves limited subsidies to induce employers to take on the long-term jobless.

The "re-distribution" school – which ranges from feminists to technological pessimists – argues that for structural as much as cyclical (recession) reasons unemployment of more than 2.5m is here to stay and the only way of getting more people into work is to repackage existing working time to include them.

They welcome many of the 1990s' trends towards more flexible, part-time, work, and want to encourage more job-sharing while discouraging systematic overtime.

The 1990s could be the decade the redistributionists have been waiting for. The double-earner household is now the norm, so it is easier for men to work shorter hours and take a greater role in child-rearing. Job sharing and part-time, or two-thirds, jobs, may also suit the well-paid managerial and professional workers, whose jobs are now threatened for the first time.

There is mainstream political support for such ideas. Mr John Smith, the Labour leader, says he wants a definition of full-employment which "recognises the rights of part-time workers and forges a new balance between the demands of family life and paid work for both men and women".

There are plenty of ways to encourage the jobs market to share out work even more, and make sure the unemployed get some of it. The French government tops up the pay of older workers who give up half their job and covers administrative costs.

Making the benefit system more employment friendly could help the process. It is currently difficult for the employment service to help people to help themselves back into paid employment because of social security rules which assume most of the unemployed are work-shy.

Income support, the most important benefit for the unemployed, has an "actively seeking work rule" which precludes more than 16 hours paid work per week, 21 hours formal education, and can prevent people working for nothing in the voluntary sector. The government seems ready to relax some of these rules.

Just as important would be raising the threshold of what the unemployed can legitimately earn, and removing the "mortgage trap". For the first two years on income support people are allowed to earn only £5 before having every pound earned clawed back through reduced benefit. That is raised to £15 after two years.

If an unemployed person, or someone in their household, takes part-time work over the hours threshold it can lead to the withdrawal of mortgage interest payment, which takes 16 weeks to reinstate if you then lose the job. The main in-work benefit for the low-paid – family credit – pays rent but not mortgages.

The best way to get a new job is to already have one. But Ruth Wharton, a single parent from Cumbria, complains: "You can't risk coming off income support in the hope that a part-time job might turn into a full-time one."

To make it easier for such people reformers propose raising the working hours threshold to 20 hours and the weekly earnings threshold to about £40.

Would that simply mean part-time workers on benefit taking jobs from part-time workers not on benefit? It might, but Dr Eithne McLaughlin of Queen's University, Belfast, is convinced from her work with the unemployed that many would go out and create new work, mainly in the service sector.

Subsidising the employment of the long-term jobless is the most traditional idea. But subsidies have been rejected in the recent past because they are too indiscriminate – too many of the 7m who will take new jobs this year would attract unnecessary subsidy – or too expensive.

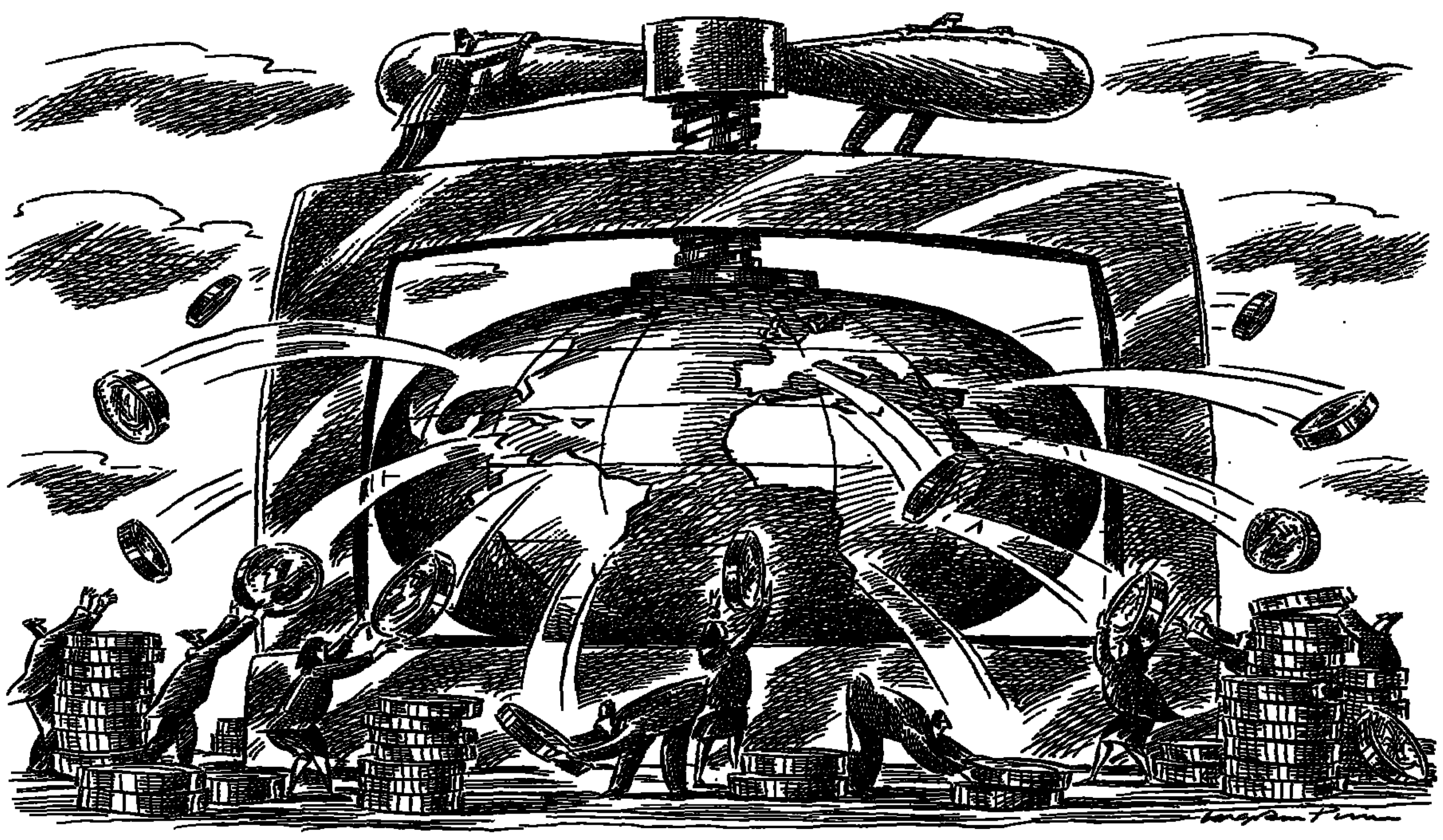
Europe unites; US showdown; advisers scramble: **Page 2**; international pacts: **Page 3**

FINANCIAL TIMES SURVEY

# WORLD TAXATION

Expatriates look for better benefits; the Reed-Elsevier marriage; computers: **Page 4**

Thursday February 18 1993



## The pressure is starting to hurt

**President Bill Clinton's intention to raise taxes and squeeze more from foreign companies in the US is symptomatic of a new fiscal aggressiveness in many other countries, writes Andrew Jack**

PRESIDENT Bill Clinton's calls for higher taxes this week are warning shots which have been heard in terror by tax practitioners around the world.

He may have toned down his aggressive campaign rhetoric about capturing an extra $45bn from foreign corporations operating in the US. But many will see his pledges as symptomatic of a new, aggressive attitude in the world's largest economy which will help set the agenda of many other governments over the next few years.

The prominence given to Mr Clinton's remarks since his election also serves as a reminder of the huge importance now being given to international tax issues, as multinational companies and international transactions grow in significance. "Business has undoubtedly become more international," says Mr Roger White, head of tax at KPMG Peat Marwick in London.

That has brought a corresponding change in the attitude of fiscal authorities. "In their own plodding way the revenue services are catching up," says White. "They are desperately trying to bring themselves into the 1970s as business moves into the next century."

He argues that there has been a "globalisation of tax policy setting", with fiscal authorities from different countries meeting more regularly across borders, exchanging information and sharing ideas through forums such as the Organisation for Economic Cooperation and Development.

This dialogue is reflected in the recent resurgence of international tax treaties, which grew after the second world war but then declined in importance during the 1960s and 1970s. There are now many hundreds in place around the world, including a near-complete network between EC member states.

Geographically, the US is an important focus of attention. When the Internal Revenue Service takes action, other countries often have to follow to ensure they maintain their share of tax levied. Aside from President Clinton's general sabre-rattling, it has been aggressively pushing for new rules on transfer pricing. "We have the potential for the start of a tax war," says Mr Peter Dickinson, head of international tax with Coopers & Lybrand.

This attitude is shown in the recent renegotiations of its tax treaty with the Netherlands.

The US forced discussions for a new treaty, and the result includes some tough conditions on removal of remaining privileges – on pain of the treaty being nullified. "It was a reflection of what the US wanted," says Dickinson.

The new climate is posing particular problems for multinational companies when trying to structure acquisitions and plan operations, he argues. "It is difficult to plan in the long-term, so you have to arrange things in a way that can be changed without adverse consequences in two years' time."

One trend in which the US remains the exception is the introduction of value added tax. Around the world there has been a clear shift away from direct taxation towards indirect tax. Mr Ian McDade of Price Waterhouse says this reflects both the simplicity and lower costs of collection, and the fact that, once introduced, indirect taxes are less politically damaging since people are not so likely to see their impact.

He adds that this growing application reflects a shift away from considering tax as an instrument of social policy or wider public policy objectives, towards one more tightly focused around income generation. At a time when many countries are in recession, it comes as no surprise that their fiscal authorities are pushing hard to boost collection.

The use of indirect taxes is now also being echoed in the countries of Eastern Europe, the former Commonwealth of Independent States and Asia. McDade says this is explained by competition for inward investment: companies will be discouraged by seeing high headline tax rates.

Most geographical attention for international taxation at the moment lies in Western Europe. The EC has achieved a harmonised system for VAT, which began operating at the start of this year. Market forces, officials argue, will begin to force the varying member states' tax rates to converge.

The next challenge will be the debate on whether to shift from an origin-based system – in which VAT is charged in the country where goods or services are bought – to a destination-based one. That change is designed to take place in 1997 but may be strongly contested.

On direct tax, EC trends are more ambiguous. Progress towards harmonisation on corporation tax seems to have been stalled in spite of an ambitious report by Dr Ono Ruding early last year. But a number of practitioners point to draft EC legislation clearly pushing in that direction.

Methods of collection have changed considerably in the last few years. There has been a movement towards self-assessment of tax, by which taxpayers calculate how much they should pay and send this amount directly to the authorities rather than wait for an assessment.

This has long been the method applied in the US. It is also in place in countries such as Canada, Spain, Italy, Denmark, France and Germany. Ireland and Australia recently moved in the same direction.

Now the UK is doing the same, with an Inland Revenue consultative document issued last year on self-assessment for personal income taxpayers, and a new system of "pay and file" for corporations due to begin this autumn.

The approach reduces the prolonged annual debates over tax calculations, and permits revenue authorities to make considerable staff savings. But it introduces new pressures by placing greater burdens on taxpayers – one reason, it is said, why alcohol sales peak in the US at the time of filing the annual return.

It also brings the risk of far greater investigations or "audit" work by tax officials to ensure that the correct amount has been paid. The onus is being shifted on to taxpayers to prove they have paid the right amount – backed up by detailed documentary proof.

Investigations and compliance issues are taking on a wider significance. Most international tax treaties include clauses calling for exchanges of information between different national fiscal authorities. These have led to a growth in multinational examinations of a company's tax affairs.

In the EC, formal computer systems to share information between member states and to detect fraud are now in place. This raises questions about the security of confidential and commercially-sensitive information.

It also worries many practitioners, since data may be exchanged and used as the basis for inquiries without any opportunity for the company involved to be able to verify the information under scrutiny.

Technology is becoming more important in other ways too. For companies and their advisers, new software is making it possible to compute and experiment with the presentation of financial information more easily. For revenue authorities, electronic filing of tax returns will increase markedly during the 1990s.

As international tax issues continue to flourish, one more question remains: the role of the tax professional. In the UK, advice has traditionally been led by accountants.

Elsewhere, lawyers or others with specialist qualifications have dominated. Small companies offering niche services are also developing.

Accountants have good abilities to crunch numbers; lawyers play a vital role in interpreting legal texts and precedents. In the future, there will probably be greater demand for a combination of these skills, at a competitive price.

**Andrew Hill** measures the progress of the EC's new VAT system

# First months are critical

THE EUROPEAN Community has a new barrier-free internal market, a new system for monitoring value added tax on cross-border transactions, and new minimum rates of excise and VAT. So far, the EC does not have a whole new set of problems – but Brussels officials are ready for complaints and difficulties should they arise.

The new VAT system, which came into force at midnight on New Year's Eve, allowed member states to lift internal border controls on goods and sweep away some 60m administrative documents filled in by companies every year under the old system. But proof that the new system works will not come until the spring, when data on cross-border transactions start to flow into national tax authorities via the EC's specially established computer system.

The European Commission has accepted that there will be confusion in the early months of the new barrier-free internal market. Indeed, senior Brussels officials have urged national authorities to be lenient with companies which accidentally break the rules in the first half of 1993.

But Mrs Christiane Scrivener, who retained her responsibility for fiscal matters in the December reshuffle of European commissioners, has already made it clear that there will be no quarter for governments which are sluggish about adopting the relevant legislation.

Inevitably the new system has come in for criticism. Companies, some of which admit they left preparations for the single market to the last moment, have been irritated by what they consider an unnecessary new bureaucracy for handling VAT transactions. Some member states have been slow to issue VAT codes to businesses, and others have not moved quickly enough to bring rates into line with legally-binding guidelines agreed last year.

In the specific area of excise duties, there are worries that a failure to reduce the gap between high-excise countries like Denmark and low-taxers like Spain will lead to "bootlegging" of cheap cigarettes across the Community.

Over the next two years – the limit of the current Commission's term in office if the Maastricht treaty is approved – Mrs Scrivener will be preoccupied by making these new systems work. Late last year she rushed through directives aimed at simplifying the new approach so it would not unduly penalise companies involved in "triangular trade", and she is eager to maintain pressure on member states to bring their excise duties more into line.

But Mrs Scrivener must also bear in mind the EC's broad commitment to introduce a "definitive" VAT system by January 1, 1997.

At the moment, only individuals benefit from the most logical indirect tax system – paying VAT on goods where they are bought, at the local rate. The introduction of this "origin" system and the abolition of travellers' allowances for tax-paid items has encouraged a mini-boom in cross-border shopping.

The revenue at stake in such small-scale cross-border business was very small, although consumer groups hope a small increase in intra-EC bargain-hunting will have a disproportionate effect on prices in domestic markets. Such is the sensitivity of national treasuries, however, that even for individuals there are exceptions to the "origin" VAT rule for some items, such as cars and mail-order goods.

More importantly, member states are not yet prepared to make the sacrifices needed to introduce the same system for cross-border commercial transactions. That is the aim for 1997, but it will involve a great deal of preparatory work.

**PERSONAL INCOME TAX RATES IN THE EC (%)**

| Country | Threshold | Maximum |
|---|---|---|
| Belgium | 25 | 55 |
| Denmark | 52.8 | 68 |
| France | 19 | 57 |
| Germany | 19.7 | 53 |
| Greece | 18 | 40 |
| Ireland | 29 | 48 |
| Italy | 10 | 50 |
| Luxembourg | 10 | 52 |
| Netherlands | 13 | 60 |
| Portugal | 15 | 40 |
| Spain | 25 | 56 |
| United Kingdom | 20 | 40 |

Mrs Christiane Scrivener: EC Commissioner for fiscal affairs

For example, some sort of central "clearing house" would have to be set up for all EC cross-border transactions, to ensure that national treasuries do not lose out. Senior Commission tax officials reckon work will have to start on such a system before the end of 1993.

For the time being, however, Mrs Scrivener's advisers are reluctant to add to companies' worries about the existing situation by beginning to talk about a "definitive" system. They even reject the tag "provisional" for the system which came into force on January 1. "We will start our reflections [on a definitive system] next year, but we don't want to mix the two things," says one.

Advocates of a definitive system worry that even if companies decide they want to move on to the simpler system, governments will try to hang on to the transitional VAT regime, unless they are put under intense political pressure by Brussels. "Certain governments will say that it isn't in their own interests [to move to a definitive system]," says one Commission official.

In the meantime, Brussels officials are likely to work on the technical aspects of a definitive system so that when the time comes to make a political commitment, the groundwork will already have been laid.

Mrs Scrivener's other priorities are in the even more sensitive area of direct taxation. Advisers suggest she will press for member states to approve outstanding directives aimed at eliminating double taxation for companies with subsidiaries in other member states, held up in the council at the end of last year. "It's indispensable that these texts are adopted," says one official.

The Commission may also take another look at the vexed question of harmonising savings taxes, without putting EC savers at a disadvantage compared with those depositing their savings from outside the Community. A harmonisation proposal tabled in 1989 was resisted by member states.

Finally, the Commission is keeping a sharp eye on member states' double taxation pacts with non-EC countries.

Mrs Scrivener warned last year, when outlining the Commission's position on the Ruding report on corporate taxation, that Brussels was studying the effect of recent tax treaties – in particular between certain member states and the US. She warned that such treaties could discriminate against EC companies setting up in other EC states.

Advisers confirm that they are now working out how to end such discrimination – either by introducing new EC-wide legislation, or possibly by taking a test case to the European Court of Justice.

Deficit challenge to Clinton and Congress

# Revenue showdown

US POLITICIANS and economists have for years been wringing their hands over the ever-growing federal budget deficit. But with the outlook now worse than ever, the time may be approaching when the administration and Congress unite to tackle it.

During his election campaign, Mr Bill Clinton shied away from the catastrophist approach of Mr Ross Perot, the self-financed candidate who argued that the deficit was a "mad aunt in the basement" which must be dealt with before anything else.

Just before Mr Clinton took office last month, however, his predecessor, Mr George Bush, presented a farewell pro forma budget projecting that the deficit would, on current policies, grow from $290bn in 1992 to $320bn in 1998 – substantially gloomier than the Office of Management and Budget's earlier predictions, and its most honest forecast for years.

Mr Clinton seized this opportunity to explain that things were much worse than he had been told, and that he would therefore be unable to fulfil his campaign plan to halve the deficit in four years.

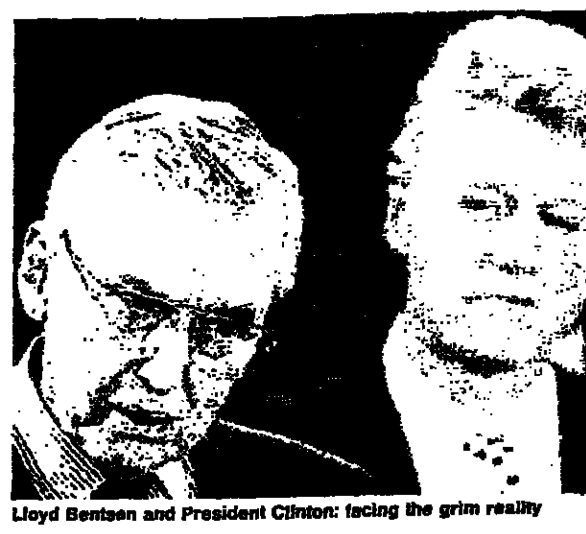
Preparation for the presentation of an economic plan, due yesterday, has, therefore, included much fervent discussion of what combination of spending cuts and tax increases will best provide the short term stimulus that Mr Clinton seeks to ensure that the economic recovery does not, once again, bog down, while at the same time offering a prospect of deficit reduction over the longer term.

The economic plan laid out by Mr Clinton during his campaign included a curious mix of the broad brush (unspecified administrative savings) and the bizarrely detailed (an end to the $18.6m a year subsidy to honey producers) but contains two main revenue raisers:

- the top income tax rate would climb for the richest 2 per cent of taxpayers from 31 per cent to 36 per cent. This, coupled with a surtax on millionaires, would bring in an extra $17.8bn in 1993, rising to $23.0bn in 1996.
- the prevention of tax avoidance by foreign companies is estimated to yield an extra $9.0bn this year, rising to $13.5bn in 1996.

Mr Clinton now intends to raise corporate income tax rates, probably to 36 per cent, in order to stop the wealthy from shifting their income into corporate shelters to escape the higher personal income tax rates. He has also promised limits on the deductibility of excessive salaries.

The money from foreign companies may, however, be hard to find. Although foreign companies on average report lower profits as a percentage of assets, capital or sales than their domestic counterparts, it is far from clear that all of this gap is accounted for by any effort to avoid US taxes.



Lloyd Bentsen and President Clinton: facing the grim reality

Clinton campaign officials remained reluctant to the last to disclose the basis of their estimate. But it is widely assumed that they split the difference between an estimate by the Internal Revenue Service that the tax shortfall *could* amount to as much as $3bn, (if the gap between foreign and domestic profitability were entirely accounted for by abuses), and an estimate of $30bn a year, popular in Congress but based on the somewhat academic assumption of Professor James Wheeler, of Michigan University, that foreign companies must be earning as great a return on assets as they would get on a Treasury bond, or they would not trouble to do business.

Congress's Joint Committee on Taxation, probably the most authoritative source for revenue estimates, calculates that if foreign companies were taxed in proportion to their assets, rather than their reported profits, they would pay only $166m more a year, or $680m more if taxed in proportion to their receipts.

Politically, however, the target is so appealing that tax lawyers and congressional staffers are convinced that some effort will be made to wring more tax out of foreign companies. This could involve an attempt to rewrite the Section 482 rules on transfer pricing put out by the Bush administration in its final days, but many observers feel that Congress is so eager to get its finger into the pie that new legislation is likely.

Foreign governments, as well as the Organisation for Economic Co-operation and Development, fear that the Congress may try to ignore international tax codes and bilateral tax treaties.

Fiscal realities, however, are driving the new administration in search of other sources of revenue beyond the tax increases Mr Clinton outlined in his campaign. This is taking him into hostile territory.

Many of Mr Clinton's advisers, backed by an unlikely coalition of environmentalists and carmakers, have argued in favour of a substantial increase in taxes on petrol, an option favoured by Mr Perot during his campaign. The federal petrol tax stands at a relatively modest 14.1 cents per gallon, although all states and some cities also tax petrol.

But although many economists believe an increase in the petrol tax would have the desirable effect of reducing US fuel consumption, and hence pollution, politicians view it as suicidal, because it is perceived as unfairly burdening the middle class, as well as the car-dependent states.

A broader energy tax, possibly levied per British thermal unit, is now favoured, although some senators from oil-producing states are clamouring for an oil import fee.

It is a token of the greater seriousness with which the budget deficit is now treated in Washington that discussion of tax increases has not stopped there: even Social Security, the US state pension system, is under scrutiny.

Senator Daniel Patrick Moynihan, the unpredictable New Yorker who took over the chairmanship of the Senate finance committee when Mr Lloyd Bentsen became Treasury Secretary, has made it clear that he will fight to the last any attempt to freeze inflation adjustments in Social Security payments.

But Mr Dan Rostenkowski, who as chairman of the Ways and Means committee is his counterpart in the House of Representatives, has warned that there can be no sacred cows, and several leading senators have indicated that they would be prepared at least to consider making a greater portion of these Social Security payments liable to income tax.

Mr Nicholas Brady, President Bush's Treasury Secretary, argued in a valedictory speech that the US tax system needed root and branch reform, including radical measures such as lifting the income tax threshold dramatically and replacing the lost revenue with a form of VAT.

But Mr Brady never undertook such an initiative while he was in office, and even though Moynihan believes a VAT will come to the US one day, it seems unlikely that the Clinton administration will be any bolder.

George Graham

Tax advisers are thriving, says **Andrew Jack**

# Lawyers muscle in

ACCOUNTANTS DO it, lawyers do it, even property surveyors now claim to do it. A growing number and diversity of professionals are becoming involved in the lucrative world of tax advice.

More than many other grey areas which cross the divide between the professions, tax consulting has become a battleground. And in a recession, the gloves are coming off.

In the UK, tax advice has historically been dominated by the accountants. But the last few years have seen considerable growth in involvement from lawyers – reflecting their influence in other regions such as North America.

Some accountants and lawyers are beginning to move beyond their own firms, while others are setting up their own specialist niche practices with even fewer confines.

"Traditionally accountants were involved in tax compliance and planning while lawyers were involved on transactional work," says Mr Simon Stubbings, the head of tax at the London law firm Theodore Goddard.

During the 1980s, the growth in transaction work exposed lawyers to tax work more frequently, he argues. That tempted lawyers and also allowed their clients to see and appreciate the greater scope for their expertise to be used.

But lawyers held back until recently for cultural and professional reasons. They were generally less aggressive and more restricted in how they could market than the accountants.

In international work, the accountants were able to make great play of their international networks and affiliations. More generally, they had the advantage of a recurring base of audit clients from which to identify and obtain additional tax work.

That is changing. In the last four years, Theodore Goddard has hired two accountants to help it compete. "They help make our advice more comprehensible to a finance director by putting numbers to the words," says Stubbings.

The change-over is not always easy. There is a considerable cultural clash between the two types of firms, according to Mr Daniel Feingold, of Strategic Tax Planning, which he created after stints with accountants and law firms.

London lawyer Simon Stubbings: competing with accountants

Theodore Goddard – in common with most other lawyers – still sees compliance work as a matter for the accountants, and transactions as their own exclusive territory. But the distinctions are becoming increasingly blurred. "Tax planning has become the battleground," says Stubbings.

The picture is rather different outside London. "Provincial solicitors throw up their hands in horror when they sense a whiff of tax being mentioned and they call in an accountant," says Jill Hallpike, secretary of the Law Society's revenue law committee. "But the City firms hold up their own against the accountants."

The tension between accountants and lawyers is being played out between the different professional bodies. There is already rivalry between the independent Institute of Taxation, and the Tax Faculty of the Institute of Chartered Accountants in England and Wales. Now the Law Society is considering introducing a specialist further tax qualification.

The lawyers are not the only professionals encroaching on the accountants' turf in the UK. A large number of specialist agencies also chip away at particular niches such as entertainment tax or, in the case of firms like Crosher & James, property work such as advice on capital allowances.

VAT Clearing House offers an even more highly-focused service: the recovery of VAT on business expenses in the EC. That raises an important structural point about the changing nature of the tax profession. Increased competition is having an effect on both the size and the structure of fees.

The firm only charges if it achieves recoveries, and takes 12.5 per cent of the tax received.

Geographically, there is also a considerable challenge from overseas. London remains important as a centre for international tax work, but other areas are taking on growing importance.

The Netherlands has always been an important rival. Mr Barry Larking, a lawyer with Smith & Partners, a tax firm based in Rotterdam, who has worked for both law and accountancy practices, argues that many London firms adopt an "ostrich-like approach" to issues of law beyond their own national boundaries.

"The big firms take a shotgun approach to international work, sending a book of information from each of the relevant national offices," he says. "We are not tied into a particular network, and can take a different perspective from the outside."

The accountants are still hitting back with greater emphasis on marketing, and the creation of new activities such as out-sourcing, by which they directly take over the running of tax compliance work in client companies.

But Mr Feingold is among many commentators suggesting that accountants will become increasingly hard-pressed to compete unless they are in partnership with lawyers, since so much international tax work is essentially legal work.

## WORLD TAXATION 3

Bilateral treaties girdle the globe, says **Jonathan S. Schwarz**

# The network expands

INTERNATIONAL double taxation has long been identified as an inhibition to international trade and investment. It arises when two countries each assert their taxing authority over the same source of income or capital gains.

Although international tax treaties have been around for over 100 years, it is only since the Second World War that they have grown in numbers and significance. There are now more than 1,200 treaties dealing with taxation.

Tax treaty networks have developed around patterns of trade and investment. Not surprisingly, therefore, the most dense network of treaties is among OECD members. Treaties between former colonial powers such as the UK and France and their former colonies are also notable networks.

Within the European Community, the treaty network is almost complete. Only Greece, Portugal and Spain do not have income tax treaties with all other member states. The European Commission, however, has encouraged the completion of the intra-EC network to assist in eliminating fiscal barriers to cross-border trade and Investment.

The vast majority of treaties deal with income tax and capital gains and are patterned on the models prepared by the OECD fiscal committee. There are a number of more limited treaties dealing with shipping and air transport income. These are usually found between countries where double taxation is not an important issue generally because of the limited way in which each country levies its taxes on local source income only.

Since, with two exceptions, all tax treaties are bilateral, there are variations and anomalies between tax treaties of which multi-national businesses and investors have sought to take advantage.

This treaty shopping has been exacerbated in relation to countries such as the US which, in spite of its size and importance in the world economy, has a relatively limited treaty network. It currently only has about 40 income tax treaties compared with, for example, the UK's 80 or so treaties. The OECD recently released a revised model treaty to replace its earlier versions released in 1963 and 1977. The new OECD Model Convention – and tax authorities generally – have sought to impose limitations on what is regarded as permissible use of tax treaties, particularly by persons who the authorities believe were not intended to benefit from them.

The US has led the way in seeking to impose so-called limitation of benefits provisions in order to exclude residents of third countries from benefiting from particular treaties.

This has given rise to enormous technical difficulties in drafting the rules and particularly in taking into account the recommendations of the OECD that limitations of benefits clauses should be restricted so as to exclude bona fide economic activities that may unintentionally be covered by them.

Limitation of benefits clauses have also caused considerable difficulty for countries such as the Netherlands who have sought to encourage multi-nationals to use it as a base location for international operations and financing in particular.

It has therefore facilitated the use of its tax treaty network by companies based outside the Netherlands.

In the EC, this issue is further complicated by the interaction between Community law prohibiting discrimination on the grounds of nationality under the Treaty of Rome and such limitation of benefits clauses.

Many experts hold that member states are not entitled to enter into treaties that discriminate against EC nationals, whether they are individuals or companies. This area of EC law is in its earliest stages of development and the outcome is uncertain.

A new income tax treaty just signed between the Netherlands and the US contains an extensive limitation of benefits article along with a memorandum of understanding requiring claimants under the treaty to demonstrate their entitlement to its benefits.

Apart from Dutch individual residents and non-profit organisations, Dutch resident companies may qualify if they fall within one of seven different tests.

While the clause may deter the most aggressive treaty shopper, it will also add significantly to the compliance costs of bona fide taxpayers seeking to benefit from the treaty.

The OECD Model Treaties and those following it have approached the avoidance of double taxation largely by seeking to eliminate tax in the country of source of income. The country of residence of the taxpayer has retained the right to levy taxes on foreign income earned by their residents. This largely favours capital exporting countries and as a result many developing countries have questioned the value of tax treaties.

**In the European Community, where only Greece, Portugal and Spain do not have income tax treaties with all other members, the Commission has encouraged the completion of the internal network**

Treaty networks between developing countries are the thinnest. In addition, the UN Model Convention has attempted to shift the balance in favour of countries where income is generated.

Some developing countries have recently succeeded in concluding treaties which permit them to tax the activities of foreign investors more extensively. They leave the country of residence to rely on foreign tax credits to eliminate double taxation.

These successes have typically been in the area of more expansive definitions of permanent establishment and entitlement of developing countries to impose withholding taxes on payments for technical assistance and related services. Under the OECD Model such services would not be taxed in the country of source of the income.

Although the avoidance of double taxation was the original purpose of tax treaties, the prevention of tax evasion has become an increasingly important issue. The internationalisation of economic relations has caused growing interest in the reciprocal supply of information between countries on the basis of which domestic tax laws are administered This is the case even if the application of a treaty is not in question. Exchange of information falls into three categories:

- routine exchanges such as the details of interest dividend or royalty payment;
- spontaneous exchanges where tax authorities of one state believe that the authorities in another state may be interested in a particular piece of information;
- exchanges on request.

Tax administrations keep their cards close to their chests in relation to this issue and little is made public about the amounts and nature of such collaboration.

In most countries, taxpayers do not know when information is being exchanged and typically no opportunity is provided to correct information erroneously given.

In some countries, such as Germany, taxpayers must be advised when information is exchanged, however. Other programmes are well publicised such as the US-Canadian joint audit programme where simultaneous investigations are conducted by both the Internal Revenue Service and Revenue Canada.

Some treaties provide for mutual assistance in the field of tax collection. These are unusual, however, and are limited in their scope.

Within the EC, a Directive on exchange of information sets out extensively the rules for this process covering all fields of taxation.

The only other multilateral attempt at such collaboration is to be found in the OECD/Council of Europe Convention for Mutual Administrative Assistance.

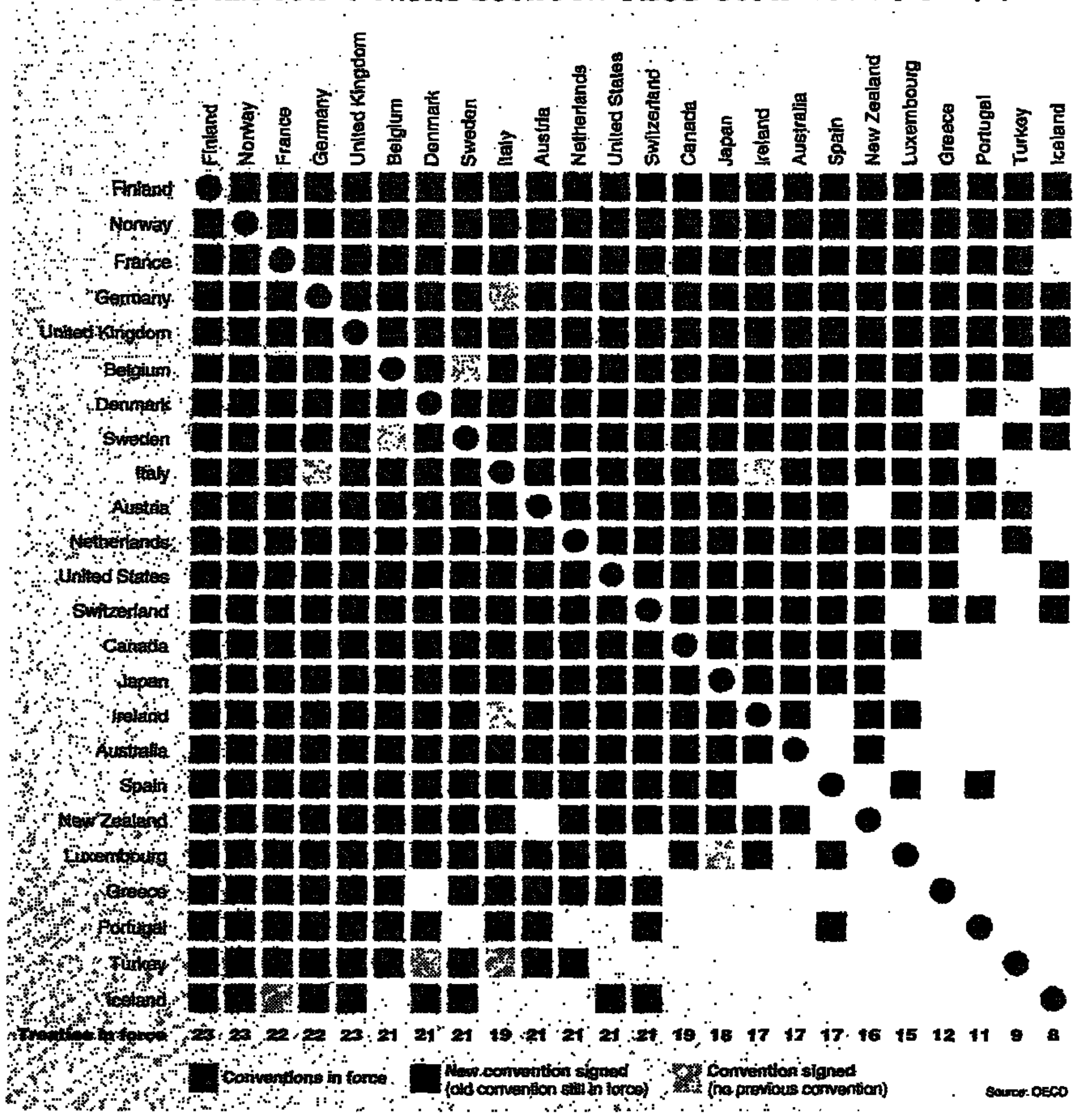
This provides for extensive cooperation between tax authorities in not only exchanging information but in pursuing tax claims on behalf of treaty partners.

Although it has been ratified by the US, other major industrial countries such as the UK and Germany have indicated they will not ratify the Convention and it has thus far not entered into force.

As the international tax treaty network matures, it is likely that more and more attention will be focused on refining the rules governing double taxation of income and capital gains. One by-product of the process is clearly that scope for abuse of tax treaties will become more limited. Companies involved in international business will need to pay more attention to ensuring that they can fall within tax treaty rules, even if they do not engage in aggressive tax planning.

*Jonathan S Schwarz is a partner of Paisner & Co., city solicitors, and Editor of the FT World Tax Report.*

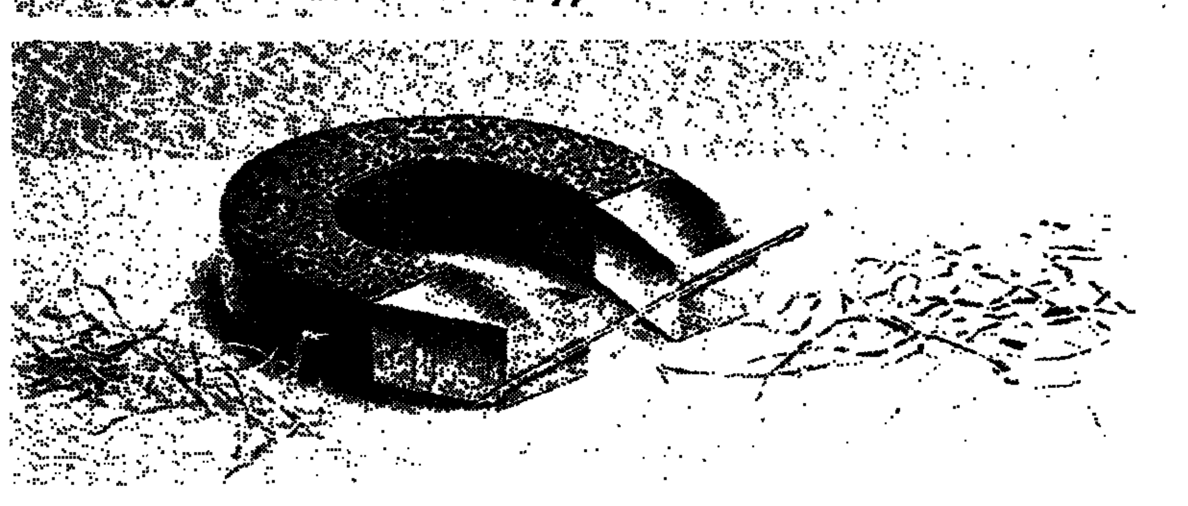
**Network of tax conventions between OECD countries as of 1/1/92**









**Jonathan S. Schwarz** on the tax status of expatriate executives

# In search of benefits

THE HIGHLY mobile executive is one of the key features of the increasing internationalisation of business.

Citizens of EC states can work anywhere in the Community and this privilege is likely to be extended shortly to citizens of Efta countries.

While immigration and work permit barriers may be falling, the tax impediments and cost of transferring senior employees from home may be significant. Executives expect at least to be no worse off financially if they work in other countries than if they stay at home. In many cases, they expect financial rewards for the disruption to their personal lives.

Virtually all industrialised countries tax residents on their worldwide income. Ceasing to be resident in a country usually involves remaining physically outside the country and severing all ties for a significant period of time. It is therefore only feasible for medium and long term postings.

In the case of executives required to spend parts of a year in a particular country, most double tax treaties following the OECD Model will absolve the executive from tax outside his home base if he or she spends less than 183 days a year in a country performing services and if the cost of employing the executive is not borne by a local company or permanent establishment.

Separate rules are, however, provided for company directors which cause them to be taxed on directors' fees paid by local companies even if they are not resident where the company is situated. Special rules are also provided for those in the shipping and airline industries.

Even such relatively straightforward situations give rise to problems as a result of anomalies between countries. For example, the UK excludes the day of arrival and departure in determining whether visitors are physically present in the UK. The US, on the other hand, includes the days of arrival and departure.

Other issues w ıch affect executives are differences in tax year ends as well as administrative costs in filing tax returns or claiming refunds where tax is withheld at source. Those may be expensive and time-consuming.

Longer term moves by executives are accompanied by salary adjustments to take into account not only tax differentials but also other cost of living adjustments. The tax adjustments are most commonly effected by either tax equalisation or tax protection arrangements.

Under tax equalisation, the employee pays no more income tax than if he or she had stayed home. The company meets any additional tax cost if the individual is posted to a higher tax country and the company may make savings if the posting is to a lower tax country.

Tax protection involves the company agreeing to meet any additional costs of income tax if higher than the home country level. Any savings because of posting to a lower tax country are retained by the executive.

**Executives expect at least to be no worse off abroad than at home**

A number of countries seek to attract international and regional headquarters operations with tax incentive packages designed to attract foreign executives on a temporary basis. The UK and Ireland, for example, tax resident but not domiciled individuals on local source income and gains. Foreign income and gains are taxed only when remitted.

Belgium and the Netherlands also have attractive regimes for temporary foreign residents which exempt them from tax on foreign investment income and capital gains. In the Netherlands, such executives are also entitled to a 35 per cent tax deduction from salary subject to Dutch tax.

Executive incentive packages also give rise to challenges in an international context. Most packages are designed with the tax rules of the executives' home base in mind, and are often difficult to duplicate with precision. An area of increasing importance in this regard is in relation to pension benefits and employee share plans.

The tax treatment of pension provisions varies from country to country. The tax deductibility of pension contributions by the employee and the taxation of investment income by the pension fund itself depend in part on whether the fund and the executive are both resident in the same country.

Where mobile executives retire outside their country of employment, additional issues arise as to the taxation of pension payments. These problems are graphically illustrated in the Bachmann case that was recently brought before the European Court of Justice.

Mr Bachmann, a German national, had commenced payments on insurance policies agains sickness and disability as well as life insurance while resident in Germany. Having moved to Belgium to work, the Belgian tax authorities refused deductions of these premiums.

The Belgian income tax code permits deduction of insurance premiums agains professional income in computing taxable income. However, they are only deductible if paid to mutual companies recognised in Belgium and no foreign companies have ever been recognised. In the case of retirement and death related insurance, premiums had to be paid in Belgium.

The European Court recognised that the Belgian tax legislation contravened the Treaty of Rome rules dealing with freedom of movement of workers and freedom to provide services.

Contrary to the opinion of the Advocate General, however, the Court concluded that the non-deductibility of the premium was necessary to compensate the state for non-taxability of the pension.

In other cases, the foreign pension fund may not be recognised as a tax exempt savings vehicle and the employee may be taxed on income cumulated in the fund on amounts related to his or her contributions.

Social security contributions constitute a significant cost and the mobile executive may suffer mismatches of contributions and benefits. The problems are eased by international agreement.

For example, the UK/US social security agreement permits US employees to remain liable to US social security contributions only for assignments of up to five years and vice versa for UK executives in the US.

Within the EC, the rules are complex. In general, social security contributions are applicable in the country where the person is employed, even if he lives in a different member state. Temporary transfers for periods up to one year normally enable employees to remain under the social security rules of the home state. However, the EC regulation on social security schemes recognises the application of bilateral agreements in several cases between member states, as well as recognising circumstances where individuals may be subject to social security payments in two members states simultaneously.

The complexities and costs often lead companies to contrive base locations for some or all of their expatriate executives.

Although the taxation of businesses has been identified as an area for harmonisation within the EC, the taxation commissioner, Mrs Christiane Scrivener, has made it clear that personal tax harmonisation is not on the Commission's agenda. Detailed planning of multinational remuneration packages will continue to be a requirement for many years to come.

**Andrew Bolger** inspects the anatomy of an Anglo-Dutch deal

# Overlapping umbrellas

THE TAX benefits of a large international deal are seldom quantified directly, so the merger between Reed International of the UK and Reed Elsevier of the Netherlands was an interesting exception.

The merged group, which with a market value of about £6bn is one of the world's biggest publishers, said the merger would cut its effective tax rate by up to one percentage point a year. Given that the combined companies made estimated pre-tax profits of £424m last year, that is not an insignificant saving.

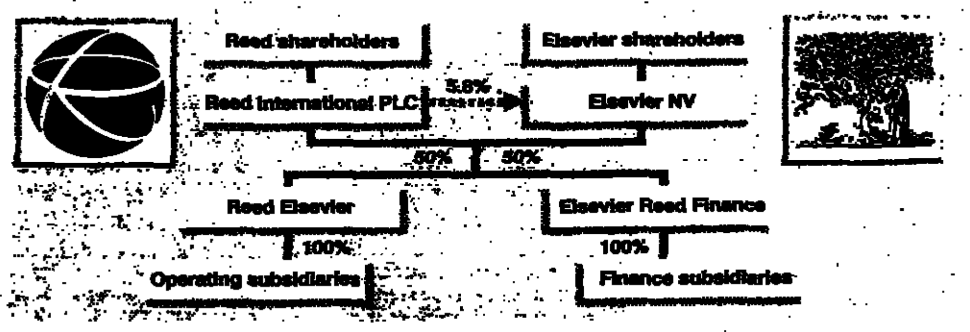
Two of the people most involved in structuring tax aspects of the deal were William Harrison-Cripps and Nicholas Hughes, both partners in Price Waterhouse, although both emphasised that the commercial aims were set by the clients.

Harrison-Cripps, head of European M&A tax services, said: "I think what we ended up with – which is pretty well what we put to them on the back of a fag-packet – is a long way different from what they had in mind at the very early stages, but that is fairly normal."

He added: "What we were talking about was what would be the ideal commercial structure, if we could achieve it fiscally. Tax must never drive it."

The merger, which took effect on January 1, was on a 50-50 basis, without any premium or cash payment to either set of shareholders, and both Reed and Elsevier kept separate stock market listings. Reed was granted a 5.8 per cent cross-holding in Elsevier, to reflect the UK group's larger capitalisation.

Combined group structure




Although Anglo-Dutch mergers are inevitably compared with early link-ups such as Unilever and Royal Dutch/Shell, Harrison-Cripps said: "I specifically told them that they did not have to live only with a Shell-type structure. If we had been putting together Shell today, we would have done it differently."

Harrison-Cripps strongly opposed the parallel company structure with two parallel operational streams, and complex mirror boards. He said: "Over time – and this is nothing to do with tax – you are looking at how quickly you can bring together and harmonise the two structures. The perception of working for the umbrella organisation is quite a powerful thing, and not to be passed over lightly."

Hughes said: "You can look at the Reed/Elsevier structure and show it is not totally dissimilar from the Royal Dutch/Shell and the Unilever structures, but better because there is more flexibility on how you can set the dividends and you've got a company in the middle that gives strong operational control, and you can still get the money tax-efficiently to shareholders."

Close examination of the combined group's structure illustrates two of the deal's most important features: operating subsidiaries will be grouped under a UK holding company, Reed Elsevier, while finance subsidiaries come under Elsevier Reed Finance, a Dutch company which enjoys the continental European freedom to put money into a tax haven and earn tax-free interest on it.

Harrison-Cripps said: "It is not some underhand trick to deprive the UK Exchequer – actually, quite the contrary: we could have had the choice of bringing nothing to the UK Exchequer, because the whole lot was destined to go to an overseas country.

"Our task had to be to set something up and convince people that it was right and still proper for us to have a UK holding company and still allow the group as a whole to have these benefits which we would have had anyway if we had set it up as a Dutch holding company. In other words, to put us as a country on an equal footing."

Other notable features are that the values of the two groups were equalised without the use of cash, without any capital gains tax being due, and money can be remitted to Dutch shareholders without incurring any Advanced Corporation Tax. Hughes said: "If we couldn't have solved these problems, then the deal would not have happened."

Price Waterhouse worked on the tax problems with Freshfields and Linklaters, legal advisers to Reed and Elsevier respectively, and their merchant bankers, SG Warburg and Swiss Bank.

Harrison-Cripps said: "The most interesting thing for us was our early involvement in the transaction. What all of us had been trying to defeat, which had been fairly traditional in the accountancy profession, was that you learned about something in the press – and then you might be lucky to get a crumb or two from the table."

Even having achieved that, Hughes said the question of who was in control was always an issue when a team was involved. "We can work effectively in a corporate team with other players, such as Freshfields. The competitive element is that the lawyers might say that they can do all of the work, including the tax, but they don't have same international representation."

The merger cost between £30m and £35m in advisers' and listings fees, reflecting the fact that the enlarged group operates in 43 countries.

Harrison-Cripps is in no doubt that his team's tax work was worth "an infinite amount" to Reed and Elsevier, relative to Price Waterhouse's fee of less than £2m. "They will have had a payback within a month or so, in terms of the tax saving and the fact that the merged group works."

Computer data bases open new horizons

# Knowledge is all

THE ability of computers to store and permit the rapid retrieval of extensive amounts of information makes them ideal for gathering tax information.

Even companies and their advisers who are engaged in purely domestic activities have a never-ending struggle to keep up with new developments.

In the UK, for example, tax experts have to cope with an annual Finance Act of more than 100 pages, High Court decisions running to hundreds of pages, and more than 100 press releases and assorted statements each year.

The amount of information to be dealt with multiplies by the number of countries concerned. In addition, the interaction between tax systems requires careful analysis.

The vast majority of computer systems used by tax advisers are essentially databases. A number of companies such as Lexis operate substantial legal databases on line. Although their focus is domestic, they do give tax researchers access to material from a number of countries.

In addition, countries' specific tax databases are available to aid in research. Most on-line databases need skilled researchers to extract the information efficiently.

The charges for access to the databases ensure that their use is frequently limited to cataloguing materials such as judicial decisions on a particular point.

The cost of retrieving a full text is often prohibitive. As a result, tax advisers still need to rely on hard copy.

In reaction to this, a number of publishers, particularly in North America, such as CCH, Prentice Hall and others now offer tax databases on compact disks with read-only memories (CD-ROM).

These are usually electronic versions of hard copy publications. On-line databases are often, therefore, used as support to provide for the most up-to-date information only. Such systems offer speed of access, ease of updating and mobility when combined with portable computers.

In the international arena, choices are more limited. The only source entirely devoted to international issues is the International Bureau of Fiscal Documentation, the non-profit publishing affiliate of the International Fiscal Association. It maintains CD-ROM databases on European and Latin American taxation, as well as one providing the full text in English of double tax treaties. These are supplemented by an on-line data service.

**Despite the electronic revolution the human element is still vital**

Once the tax adviser has extracted the relevant information, its evaluation, interrelation and application is largely left in the hands of the adviser. The development of tax programs that actually use the data to assist in planning decisions has been slow.

For several years, domestic tax programs have been available to assist planners manipulate data with what are effectively spreadsheet applications. Typically, tax computations are made and planning may be done through "what if" analysis.

Two forays into computerised international tax planning have been by major accounting firms KPMG and Price Waterhouse in the field of expatriate taxation. The KPMG Peat Marwick "EXPATRIATE" program calculates tax and social security for proposed employee assignments overseas. It covers 40 countries, 26 Swiss cantons, the Canadian provinces and territories, five American states plus a generic American state for locations not on the system.

The Price Waterhouse "IAMF" program also calculates the cost of sending employees to particular locations. Its system covers 51 countries, plus American states and Canadian provinces, as well as some Swiss cantons. Both systems are available under licence.

The only corporate international tax planning program that is available by licence is "COMTAX" produced by Comtax AB. Again, the combination of database and spreadsheet evaluates the effect of transferring earnings from one country to another within a multinational group on the total after tax profits of the group.

These planning programs help to generate possibilities that tax advisers or managers might not immediately think of, or eliminate possibilities that are simply unworkable. They also help to calculate the impact of taxes on existing corporate structures and suggest possibilities for reorganisation. They may make it easier to decide which company in a multinational group should be the vehicle for making an acquisition or for post-acquisition restructuring.

None of these systems can make judgments as to whether particular tax rules are applicable or not. They merely calculate the result.

Even though they are becoming indispensable in dealing with international tax problems, the human touch is still required and traditional legal skills are necessary.

Jonathan S. Schwarz

# MANAGEMENT: MARKETING AND ADVERTISING

**Michael Skapinker** looks at Holiday Inn's efforts to improve standards and woo back customers

# Brushing off the welcome mat

Raymond Lewis, Holiday Inn's head of marketing, tells the story of an apprehensive American woman who arrives in Beijing, sees a building with a Holiday Inn sign on it and weeps with relief.

There are other stories, such as the couple, travelling through the US some years ago, who entered a Holiday Inn and left minutes later, appalled by the squalor.

Lewis does not deny such things have happened. Holiday Inn accepts that by the end of the 1980s standards at some of its US hotels had deteriorated, damaging the company's reputation.

When Holiday Inn began in 1952 its aim was to spare travellers unpleasant surprises. Kemmons Wilson, its founder, built the first Holiday Inn in Memphis, Tennessee, after despairing of the poor quality of US hotels.

When Bass, the UK brewing and leisure group, bought Holiday Inn in 1990, its priority was to restore the company's good name, probably the world's best-known hotel brand. The company owns an advanced computerised booking system, which it values at $250m (£177m). But unlike some hotel companies, Holiday Inn has not been a big investor in property assets. The company owns only 104 of the more than 1,700 Holiday Inns worldwide. It manages some others, but most are run by franchisees. The Holiday Inn brand is the company's most important asset.

"A brand describes a set of expectations," Lewis says. "How you deliver against those expectations is the strength of your brand. Anyone can get a customer in the door the first time. But the way you build a business is by getting them back."

The first challenge was to raise the standards of its hotels, about 90 per cent of which are in the US, to ensure customer expectations of a reliable service were met.

Bryan Langton, Holiday Inn chairman since the Bass takeover, says the company needed a sense of urgency. He found 2,450 staff at the company's headquarters in Memphis, many under-employed. "You could have had a heart attack and died at your desk and you wouldn't have been discovered for a couple of weeks," he says. He moved the headquarters to Atlanta, reducing staff to just over 1,000.

Michael Leven, the executive charged with raising the franchised hotels' standards, is ideally suited to the task, having once been thrown out of the Holiday Inn system after a disagreement over spending on upgrading. Holiday Inn later hired him as president of its franchise division. He believes the brand pulls in customers. Nevertheless, when he came to Holiday Inn the first thing that struck him was the lethargy. "The franchise division was living on past glories," he says.

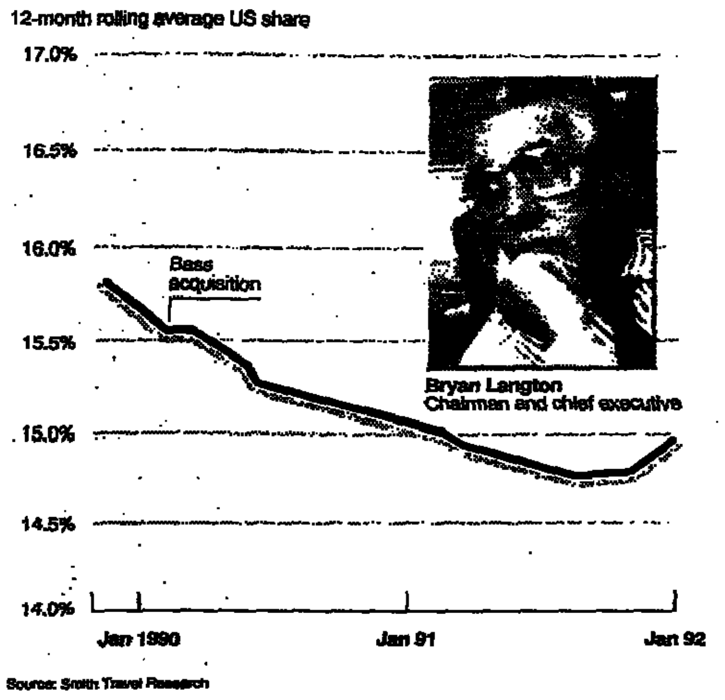
Inspection of franchised Holiday Inns has been increased from once to twice a year. In his first year, Leven deprived 75 Holiday Inns of their franchises. Last year, 30 were thrown out. Leven expects this year's number to be 75.

He closed down the Holiday Inn training "university" in Mississippi, replacing it with smaller courses at the Atlanta headquarters. By the end of 1994, all the US hotels will have facilities to do their training on their own premises. A group of 32 trainers, dubbed "Roads Scholars", travel to the hotels. However, they will soon be replaced by 42 trainers, known as Area Service Delivery Consultants.

The second challenge facing Holiday Inn is to protect and expand its position in the crowded, medium-priced market. In the 1950s, there were two medium-priced hotel chains, Holiday Inn and Howard Johnson. By the 1980s, they had been joined by chains such as Renaissance, Clarion, Ramada, Quality and Courtyard.

**Holiday Inn share of hotel chain rooms sold**

12-month rolling average US share




Source: Smith Travel Research

Holiday Inn's previous managers had created two new brands, Embassy Suites and the budget Hampton Inn chain. Under Bass, the company has decided to keep the Holiday Inn name, using sub-brands to expand its share of the medium-priced market.

In the US, in addition to its standard hotels, the company has set up Holiday Inn Express hotels which are pitched at the cheaper end of the middle market. In Europe and South Africa, Holiday Inn Garden Court hotels aim to draw in a more budget-conscious market.

Above its standard hotels, the company has the more up-market Holiday Inn Crowne Plaza hotels, a name created by the previous management. Langton sees the Crowne Plazas as the solution to another problem: the difference in quality between Holiday Inn's hotels in the US and in Europe, where they are considerably smarter.

The absence of a uniform standard is a weakness at a time of increasing international travel. All the large hotel groups try to persuade their US customers to use their hotels when they travel. Langton argues Crowne Plazas offer a worldwide standard.

Managers in competing companies say the rehabilitation of the Holiday Inn name has some way to go. The Crowne Plaza hotels are seen as particularly vulnerable to competition from more expensive brands.

# Anyone for pizza?

When Peter Boizot brought authentic Italian pizza to Britain in the mid-1960s some early customers suggested he put chips on the Pizza Express menu. Others mistook the oregano for grass.

But Boizot stood firm and ultimately his recipe for high-quality pizzerias proved a classic marketing success. From a single Soho restaurant in 1965 the Pizza Express chain has grown to include 68 company-owned and franchised restaurants which generated £1.5m in operating profits on turnover of £16.3m last year and sold 6.5m pizzas.

Today its shares will begin trading on the stock exchange for the first time following a complex reverse takeover by the publicly quoted Star Computer group worth almost £15m.

Mintel, the independent market researchers, said in a report last autumn that since 1987 the size of the pizza/pasta market in the UK has more than doubled to an estimated £694m last year.

Pizza Express has become Britain's most popular pizza chain despite spending little on advertising. Instead it has relied on its predominantly upmarket, loyal customers to spread the word.

Along the way Pizza Express has succeeded in trouncing a handful of look-alike rivals including Pizza Hut, the market leader in terms of outlets, PizzaLand and Deep Pan Pizza. So what is the secret?

David Page, who ran the largest group of franchised Pizza Express restaurants and is managing director of the new publicly quoted group, believes the success is due to Boizot's refusal to compromise on quality or authenticity.

For example, Boizot insisted on using real Italian pizza ovens which provide a very hot, dry heat. The Pizza Express interiors have all been designed by Enzo Apicella to exploit the character of each individual building.

Similarly the menu has changed little in the last 28 years – even the introduction of cappucino coffee machines has been resisted – and only genuine mozzarella cheese and Italian tomatoes are used.

Robert Bird has been in charge of food quality control for 14 years and the group runs a "secret eater programme" designed to check everything from quality of food and service to the tiling in the toilets.

Aside from pizza, Boizot's other passions include Venice, hockey and jazz, all of which have become associated with the group. More than £300,000 has been donated to the Venice in Peril appeal fund from a 25p surcharge on Pizza Veneziana.

It might be tempting for Pizza Express's new management to try to squeeze a few more margin points out of the business by scaling down some of these activities, or tinkering with the formula.

But Page, Luke Johnson and Hugh Osmond, who put the Star Computer deal together, insist there are no plans for change. "It has been successful because it is authentic," says Page.

**Paul Taylor**

# The high cost of creativity

**By Gary Mead**

Companies are paying through the nose for the consultancy, creative and production skills involved in UK newspaper and magazine advertisements.

That has long been suspected; now there is supporting evidence, according to collaborative research conducted by the Incorporated Society of British Advertisers, in conjunction with Advertising Research Marketing, a marketing communications company applying fixed-cost methods.*

The results make grim reading. Why, for example, should one advertiser have paid production costs of £4,115 and a different advertiser £80,000, both for a four-colour double-page spread advertisement? Even allowing for variation in specifications, such as photography, there is no strong reason for the anomaly.

The report reveals many instances of agencies seeking to augment profits by loading inadequately invoiced costs on to the production stage of the press advertising process.

Such costs are not those incurred in buying media space; they are the simple and easily accountable costs involved in producing the creative concept, the artwork, photography and so forth.

A recently privatised national public utility received a bill for £17,000 for the production work on a newspaper advertisement; another advertisement for the same utility, which reproduced the same images as its earlier ad with slight changes to the copy, was billed at £41,000.

Such findings are bound to generate considerable controversy among advertising agencies, which are continuing to feel the pinch in the current recession. The Institute of Practitioners in Advertising revealed at the end of January that in 1992 another 1,000 jobs had been lost among IPA members based in London.

Moreover, a new book to be published in March – Industrial Marketing Communications** – indicates the proportion of industrial and business-to-business advertisers dispensing with the services of an advertising agency has increased from 9 per cent in 1977 to 20 per cent today. Advertising agencies are increasingly losing out to direct mail and public relations activities.

The ISBA/ARM research suggests that press advertising in the UK is subject to "generally poor costing standards" and that there are "very widespread and fundamental inadequacies in the standard of management controls and procedures throughout the estimating and invoicing path".

John Orsmond, chairman of ARM, says: "Until agencies abandon variable-cost practices, they will never achieve the transparency and costing stability their clients are now demanding."

One area of complete opacity in the production of press advertising is that of consultancy charges. One advertiser was charged £52,000 for "the thinking that lay behind" the pan-European concept of the advertisement in question.

When it came to invoicing for the creative aspect of the production process, 91 per cent of those surveyed had no idea how the figure they were charged was arrived at by their agency.

In the recession the finance director has regained status viz-a-viz the marketing boss; advertisers are demanding explanations of large bills without clear, item-by-item invoicing.

Following the lead set by the ISBA, which published its own guide to best practice in dealing with advertising agencies in 1992, the IPA has just issued its own guidance note on best practice in the selection of an advertising agency.

Among the advice aimed at advertisers considering how best to select from the many excellent advertising agencies on the IPA roster, though, there is nothing about how to tell from invoices if the agency work is above or below what might be considered a reasonable market rate.

**Available from ARM, 1 McCrone Mews, Hampstead, London NW3 5BG. Free; handling charge of £25.*
***Industrial Marketing Communications, by Norman Hart, The Yard, Culverden Park Road, Tunbridge Wells, Kent TN4 9QX. Price £16.95.*

# PEOPLE

## Why Paul Kilduff has left TDG

Alan Cole, chief executive of Transport Development Group, is on the lookout for what will be the fourth finance director he has worked with since he stepped into the boss's seat just over two years ago.

Paul Kilduff, who joined from National Westminster last August, has just resigned "by mutual agreement". While Cole will not admit that there was a personality clash, he says "it didn't work out. We both agreed we had made the wrong choice." Asked what Kilduff had done since he arrived, he added "he has not had time to do a lot".

Kilduff, 39, had been headhunted from NatWest where he had spent just 10 months as head of group strategy. The same firm of headhunters is now looking for his replacement. Previously, Kilduff had been finance director of Sealink for three years, before it was taken over by Stena; the Swedes brought in their own team, though sources close to Kilduff indicate he parted on very generous terms. Before Sealink the Peat Marwick-trained chartered accountant had been at Lonrho as finance director of Metropole Group between 1985 and 1987. Earlier in his career he had spent a year as chief financial executive of Micro Focus at the time of its stock market flotation.

Five months after Cole became chief executive, David Horner, who had been finance director since 1973, took early retirement at age 57. Stephen Bodger, from ML Holdings, was his successor, but last August Bodger was put in charge of TDG's troubled French operations. Bodger, who remains on the board, had wanted a "managerial role", according to Cole, who emphasises that the move constituted "career enhancement".

## Departures

Bill Morrison, deputy senior partner of accountants KPMG Peat Marwick has announced that he is to leave the firm at the end of September this year.

Morrison, 55, insisted yesterday that his departure was "completely amicable" and that he was leaving "to pursue an alternative career". He would not say what that would be, but he will remain a consultant to the firm.

His departure raises a question over his continuing in the role of chairman of the Auditing Practices Board, the UK's new standards-setting body for auditors, when the current term comes up for renewal, but he says he would be happy to continue.

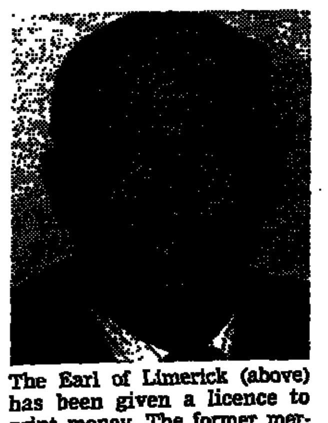
Morrison has been deputy senior partner since KPMG Peat Marwick McLintock was formed in 1987 after the merger between KMG Thomson McLintock, of which he was managing partner, and Peat Marwick Mitchell.

He was also president of the Institute of Chartered Accountants of Scotland in 1984-85, and has been visiting professor in accountancy at the University of Strathclyde since 1983.

- Barry Prichard has retired from SIDLAW GROUP because he is moving to the Channel Islands.
- Alex Gibson has left BETT BROTHERS.
- John O'Donnell has left the APPLEYARD car dealership group.
- William Thomson has resigned from JESSUPS to pursue alternative business interests.

## Non-executive directors

- Lord Moore of Lower Marsh, a former Conservative minister until 1989 and chairman of Credit Suisse Asset Management, at BLUE CIRCLE INDUSTRIES.
- Frank Knight, deputy chairman of Asda and Berisford, at LONDON INTERNATIONAL GROUP.
- Michael Blackburn, recently retired chairman of Touche Ross, at JW SPEAR.
- Nicholas Ward, group md of the Brent Walker Group and former chairman and chief executive of Macarthy, and Charles Goodson-Wickes MP, an occupational physician and PPS to the minister for housing and planning, at NESTOR-BNA from June 1.
- James Meynell, a director of Watchmane and Cardiac Controls Inc, at WESTMINSTER SCAFFOLDING GROUP.



The Earl of Limerick (above) has been given a licence to print money. The former merchant banker has taken over the chairmanship of De La Rue, the world's largest commercial printer of banknotes.

Pat Limerick, 62, replaces Peter Orchard, chairman for the past five years, who died suddenly last month. He has been on the De La Rue board since 1983 and since a couple of his colleagues – Sir Douglas Wass and Martin Harris are retiring this year – he was one of the most senior non-executive directors and a natural successor to Peter Orchard.

De La Rue is also strengthening its board. John Robb, Wellcome's 56-year-old chief executive, has been appointed a non-executive director and Robert Gardner, 56, managing director of De La Rue's payment systems division, also joins the board. He came from Gestetner in July 1990.

Despite his aristocratic background, the Old Etonian sixth Earl of Limerick is well plugged into the City – which could be useful if corporate predators were ever to show interest in De La Rue again.

A chartered accountant by training, he spent 20 years as a director of Kleinwort Benson rising to be deputy chairman. A former chairman of the British Overseas Trade Board and British Invisibles, he has a number of other chairmanships including Pirelli UK and AMP Asset Management.

## Nomura hires Ruland to head German team

Nomura, which last October closed its European equity market-making operations and sacked 50 people, has hired Heino Ruland as head of its German equity research and marketing, a new post.

Japan's largest securities house denies any inconsistency in its strategy for the Continent, pointing out that Germany is its most important market in Europe after the UK and says that it will continue to provide and expand in areas which it thinks are profitable.

Ruland, who will be based in London, lives in Frankfurt and spends a good proportion of his time in Germany, will be responsible for pulling together Nomura's German resources – currently two country analysts in Frankfurt together with the London-based sector analysts. Since the events of last October, the latter look at industries very much on a pan-European basis.

Unusually for a German financier, Ruland, who is just 36, has moved about in his 15 years in the securities business. He joined Dresdner Bank straight from school – later doing an economics degree at night school – but has also been at Bank in Liechtenstein, Morgan Stanley and Bank Julius Baer. Then, he had only been at Barings Securities as the co-head of its Frankfurt operations for ten months when the UK merchant bank decided to reorganise its activities in order to concentrate on southern Europe.

Nomura says that his depth of experience, his youth, and his "bicultural" approach, singled him out as the strongest candidate. His penchant for collecting classic Mercedes convertibles as well as for riding Harley Davidson Soft Tails presumably also distinguished him somewhat from the herd.

## LEGAL NOTICES

Registered in England and Wales
METRY ENGINEERING LIMITED
(Company Number 1844323)
Principal place of business:
Hayford Way, Speedwell Industrial Estate, Staveley, Chesterfield S43 3JS

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at [illegible] on 1 March 1993 at 10.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
Signed: D J Stokes, Joint Administrative Receiver
Dated: 12 February 1993

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS
CENTRAL CAD LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
Registered Number: 01870061. Former Company Name: [illegible]. Nature of Business: Computer aided design of printed circuit boards. Date of Appointment of Administrative Receivers: 10th February 1993. Name of Person Appointing the Administrative Receivers: 3i plc. Names of Administrative Receivers: Andrew Michael Menzies and James Kenneth Ross Jones. Office Holder Numbers: 006053 and 004596. Address of Appointees: Centre City Tower, 7 Hill Street, Birmingham B5 4UU.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS
CENTRAL CIRCUITS (TELFORD) LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
Registered Number: 01625530. Former Company Name: [illegible]. Nature of Business: Printed circuit board manufacturer. Date of Appointment of Administrative Receivers: 10th February 1993. Name of Person Appointing the Administrative Receivers: 3i plc. Names of Administrative Receivers: Andrew Michael Menzies and James Kenneth Ross Jones. Office Holder Numbers: 006053 and 004596. Address of Appointees: Centre City Tower, 7 Hill Street, Birmingham B5 4UU.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS
CENTRAL CIRCUITS HOLDINGS LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
Registered Number: 01785303. Former Company Name: [illegible]. Nature of Business: Printed circuit board manufacturer. Date of Appointment of Administrative Receivers: 10th February 1993. Name of Person Appointing the Administrative Receivers: 3i plc. Names of Administrative Receivers: Andrew Michael Menzies and James Kenneth Ross Jones. Office Holder Numbers: 006053 and 004596. Address of Appointees: Centre City Tower, 7 Hill Street, Birmingham B5 4UU.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS
TELFORD CIRCUITS LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
Registered Number: 01785297. Former Company Name: [illegible]. Nature of Business: Printed circuit board manufacturer. Date of Appointment of Administrative Receivers: 10th February 1993. Name of Person Appointing the Administrative Receivers: 3i plc. Names of Administrative Receivers: Andrew Michael Menzies and James Kenneth Ross Jones. Office Holder Numbers: 006053 and 004596. Address of Appointees: Centre City Tower, 7 Hill Street, Birmingham B5 4UU.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER
CENTRAL CIRCUITS PROPERTY LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
Registered Number: 02137907. Former Company Name: [illegible]. Nature of Business: Investment property company. Date of Appointment of Administrative Receivers: 10th February 1993. Name of Person Appointing the Administrative Receivers: 3i plc. Names of Administrative Receivers: Andrew Michael Menzies and James Kenneth Ross Jones. Office Holder Numbers: 006053 and 004596. Address of Appointees: Centre City Tower, 7 Hill Street, Birmingham B5 4UU.

## PUBLIC NOTICE

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant separate licences under the Telecommunications Act 1984 ("the Act") to Millicom Holdings (UK) Ltd ("Millicom"), Scottish Power plc ("Scottish Power"), Scottish Hydro-Electric plc ("Scottish Hydro"), and Telecom Electric Limited ("Telecom Electric") to run telecommunication systems throughout the United Kingdom. In addition he proposes to grant a licence under the Act to City of London Telecommunications Limited ("COLT") to run telecommunication systems in London and its vicinity ("the Licensed Area"). Millicom, Scottish Power, Scottish Hydro, Telecom Electric and COLT are together referred to in this notice as "the Licensees". The licences will each be for a period of 25 years subject to earlier revocation in specified circumstances. In the case of Millicom, the Secretary of State published a notice on 11 August 1992 stating that he proposed to grant a licence under the Act, and he publishes this notice to invite further comments in view of certain changes to the proposed licence.
2. The principal effect of the licences will be to enable the Licensees to install and run telecommunication systems throughout the United Kingdom or the Licensed Area, as the case may be. All the Licensees will be able to provide a full range of services, except for mobile radio services and certain international services. In addition, Millicom will be able to carry cable television services whereas the others will not. The licences authorise connection to a wide range of other systems and, except for Millicom's licence, authorise connection to earth orbiting apparatus allowing the provision by those so authorised of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, each of the Licensees may be obliged to make available those telecommunication services to all who reasonably request them within that area. The licence for Millicom will contain an obligation to make services available to a specified proportion of the United Kingdom population by a specified date.
3. All the licences will be subject to conditions such that section 8 of the Act will apply to them, thereby making the system run under the licence eligible for designation as public telecommunication systems under section 9 of the Act. It is the intention of the Secretary of State to designate the system of each Licensee as a public telecommunication system.
4. The Secretary of State proposes to grant the licences in response to an application from each Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the telecommunications code ("the Code") to the Licensees subject to certain exceptions and conditions. The effect of these exceptions and conditions is that the Licensees will have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus.
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, the Nature Conservancy Council, the National Trust and the National Trust for Scotland, as well as relevant public electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in each licence to the powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to the Licensees is that the Licensees will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licences.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of any of the proposed licences, to the application of the Code to any of the Licensees and the proposed exceptions and conditions referred to above. They should be made in writing by 19 March 1993 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2/156, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 071 215 1758.

P J Kirby, Department of Trade and Industry

## LEGAL NOTICES

Notice of Appointment of Administrative Receivers
FAIRPLAN ENGINEERING LIMITED
Registered number: 2664841. Trading name: Fairplan Engineering. Trade classification: 23. Nature of business: [illegible]. Date of appointment of Joint Administrative Receivers: D J Stokes and A R Stanway, Cooper & Lybrand, 1 East Parade, Sheffield S1 2ET. Office holder numbers: 2482 and 5562. Date of appointment: 8 February 1993. Name of appointor: Westwall Group Limited.
Signed: D J Stokes
Date: 11 February 1993.

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER
CENTRAL CIRCUITS LEASING LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
Registered Number: 01759843. Former Company Name: Mildon Limited, Northern Circuits (Manchester) Ltd. Nature of Business: Leasing of plant to group companies. Date of Appointment of Administrative Receivers: 10th February 1993. Name of Person Appointing the Administrative Receivers: 3i plc. Names of Administrative Receivers: Andrew Michael Menzies and James Kenneth Ross Jones. Office Holder Numbers: 006053 and 004596. Address of Appointees: Centre City Tower, 7 Hill Street, Birmingham B5 4UU.

## CONTRACTS & TENDERS

**BRAZILIAN TRAINING SHIP**
**NE "BRASIL" PUBLIC TENDER NR. 001/93**

Notice is hereby given that the NE "BRASIL" – AMRJ with offices at: Ilha das Cobras, S/Nº – Rio de Janeiro, Brazil, CEP 20091-000, is accepting tenders to choose a supplier for **DRY AND FROZEN FOODS TO THE BRAZILIAN TRAINING SHIP DURING THE TRAINING CRUISE – 1993.**

**TENDERERS MUST HAVE A LEGAL REPRESENTATIVE IN BRAZIL.** The latest date for submissions of qualifying documents and quotations is 15th March 1993 and the details of this Public Tender are available, at request, at the above address. For further information you may require, please contact:

NE "BRASIL" – AMRJ
Fax: 010 55 21 253 6027/216 6668
Tel: 253 6027/216 6650
COMMISSION OF TENDER

Wearers of spectacles and contact lenses want to look good as well as see better, writes Andrew Fisher

# Sights set on wider horizons

One day, the chances are that if you are not a myope or a hyperope, you will become a presbyope. You may have done so already.

There is nothing to worry about; the terms do not denote weird changes of appearance or behaviour. They define the main types of eyesight problem which require people to wear spectacles or contact lenses, either from childhood or, somewhat disconcertingly for those born with perfect vision, from the onset of their 40s.

Almost everybody needs lenses at some stage of their life – spectacles have a bigger slice of the market than contacts – and companies are striving to bring out new products that combine improved optical quality with greater elegance. These include new thinner and lighter plastics, special coatings and tints, and the blending of varying optical strengths on the same lens to eliminate the bifocal effect.

Essilor, the French company which leads the world spectacle lens market, reckons that (excluding the statistically opaque eastern European region and China) one in five people wears a corrective lens. This means 700m pairs of lens-covered eyes.

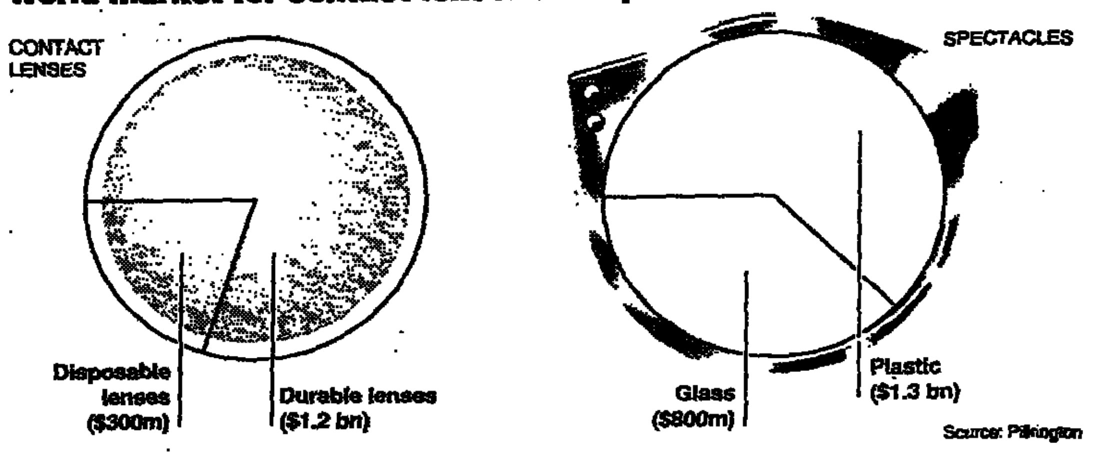
In the western industrialised countries, the proportion is much higher: some 60 per cent of people in North America have lenses, as do 40 per cent in western Europe, and 41 per cent in Japan. Half the lenses are sold to presbyopes – the greying over-40s who find that a hardening of the eye's crystalline lens makes it harder to focus sharply.

With a higher proportion of older people in the populations of developed countries as the post-war "baby boom" generation ages, the demand for lenses to correct presbyopia will obviously rise sharply. More than 90 per cent of those aged 45 and over in the US wear lenses, and over 70 per cent in other industrialised countries.

"The presbyopic is the fastest growing market," says Jacky Frémont, head of Essilor's UK operation. The other common types of lens wearer for which companies cater are myopes, who can see well at short distances but poorly from afar, and hyperopes, with the opposite problem. In western Europe, there are nearly 60m myopes (including 5m in the UK alone) and more than 35m hyperopes (4m in the UK).

Whatever their vision problem and however serious it may be, most people do not just want to see better through their lenses. They also want to look better while wearing them. Much of the fashion effort goes into producing more elegant, colourful and stylish frames. But the appearance of the lens is also important, especially for those whose sight is bad enough to warrant a thick prescription lens.

**World market for contact lenses and spectacles**




By far the biggest share of the spectacle lens market is accounted for by plastic, which is much lighter than glass. The original CR39 polymer resin, developed in the US and first used by Essilor in the 1950s, is about half the weight of glass. It is shockproof and accepts artificial tints better than glass.

But it is also about 30 per cent thicker than glass and less scratch-resistant. Much of the optical companies' recent work, therefore, has been on thinner and lighter lenses from more advanced resins. This development began in Japan, where there is a high level of myopia and thus a greater degree of sensitivity to the wearing of very thick lenses.

The California-based Sola Group expects the thin, light end of the market to grow at about 20 per cent annually in the next few years. Its new Spectralite lenses are made of tough, versatile plastic material and have aspheric designs which make them flatter than spherical lenses. These compete with Essilor's Ormex lenses, which are up to 55 per cent lighter than glass and 30 per cent lighter than its Orma material introduced in the 1960s. Both companies' products use material with a high refraction index which requires less curvature.

Essilor and Sola (owned by Pilkington of the UK which has put it up for sale) are the main players in the world spectacles market, but there are a host of smaller competitors such as Rodenstock and Zeiss in Germany, Hoya, Seiko and Nikon in Japan, and American Optical, Signet Armorlite and Vision Ease in the US.

"The market is highly competitive," says John Heine, Sola's chief executive. In the expanding presbyope market, so-called progressive lenses have gained in popularity as they do away with the segment lines on bifocal or trifocal lenses and the need to switch between glasses for reading and other uses.

With a progressive lens, the wearer - there are 130m presbyopes in Europe - can move through a family of lenses whose outer curve changes gradually as eyesight worsens. Essilor's Varilux Multi Design, in plastic or glass, has 12 lenses, while Sola has its rival Graduate and XL products; as with all corrective lenses, it is the carving out of the inner curve which gives the lens its individual character.

"It's quite a complex operation to shape the surface and get the power without a segment line showing," says Colin Perrott, Sola's head of technology. "In future, there will be a multiple choice of different lens designs according to people's lifestyles and different materials according to taste."

Apart from frame and lens shapes and the materials used, spectacle wearers can also satisfy their varying tastes by having coatings applied. These are used to make plastic lenses scratch resistant, eliminate reflection, repel water, and either tint lenses or enable them to darken in sunlight.

At Essilor's UK plant near Bristol, the quartz anti-reflection coating is put on in a special vacuum chamber using sophisticated computer-controlled machines. The coating works by turning the light reflection back on itself. Frémont says Essilor's anti-reflection coating increases sight transmission from 92.5 to 99.6 per cent. Most coatings absorb damaging ultra-violet rays.

For work on screens – now covered in the EC by a special directive – companies have developed tints that soothe the eyes. Essilor, in partnership with PPG Industries of the US, has also come up with a way of giving plastic lenses something approaching the photochromic quality of glass, enabling them to darken fashionably in sunlight. Vanity may not rule the world of optics, but it has a strong influence.

## A clear view for contacts

Contact lenses, which float in the eye's tear fluid, are for those who want improved vision and prefer the inconvenience of taking them in and out – and the risk of losing them – to the inconvenience of wearing glasses. Their use became possible this century with the development of modern plastics, whereas spectacles have been around since the Middle Ages.

But the idea of a lens fitting straight over the eye has been around for a long time. Leonardo da Vinci drew a design for such a device in the 15th century. Four hundred years later, the first contact lens appeared. It was made of glass and covered most of the eye.

Today's lenses parallel some of the developments in spectacles – such as the availability of tints and application to presbyopes as well as to people with congenital sight defects – but they also have to overcome difficulties of their own.

The first contacts were hard and not always easy to wear. But the rapid development of soft and disposable lenses, with a high water content, has decreased the hard products' market share. Because they sit on the eye, contact lenses are prone to deterioration and protein build-up.

Today's hard lenses are gas permeable, allowing eyes to breathe. In the view of Gary Mulloy, chief executive of California-based Pilkington Barnes-Hind, part of Pilkington of the UK, manufacturers need to be more innovative, especially in catering for presbyopes.

Companies do have products for these users. Essilor's Lunelle division has brought out Variations, which it says is the first progressive soft lens for presbyopes; it contains 78 per cent water. But Mulloy sees prospects for further design and materials innovations in this area, as well as to bring back customers who found contacts awkward to use. "Drop-outs have been a major problem."

# Dress sense in Antarctica

**By Della Bradshaw**

Trudging to work in February may present as much of a challenge as many of us ever want in finding suitably warm clothing. But for Sir Ranulph Fiennes and Michael Stroud, who have just completed a record-breaking crossing of the Antarctic, suitable clothing required more than just comfort.

"When you're walking across the Antarctic comfort becomes less important than performance," points out Les Jacques, textile centre manager for ICI Fibres. "It's a question of life or death."

The performance requirements of polar explorers are peculiar. "They don't carry a single waterproof item," explains Oliver Shephard, who accompanied Sir Ranulph on many of his explorations. In the South Pole it simply does not rain.

Nor, for the most part of the day, do the explorers require very warm clothing. "Pulling a 450lb sledge you get mighty warm," Shephard points out.

Instead the main requirement on a continent where winds can reach speeds of up to 200mph are for clothes that are windproof, and "breathable" – so that perspiration is not held against the skin. If that does happen the moisture can freeze when the garment is removed. That can be life-threatening, as the human body loses heat six to eight times more quickly when the skin is moist, burning up calories.

All the fabrics worn by the explorers were man-made. They included specialist "breathable" underwear, topped by thick, windproof trousers and a shirt. Thick jackets, resembling duvets, would be put on each morning. Once the men became warmer the thick jackets would be swapped for lighter, windproof outer clothing.

Socks and gloves are made of specially treated fibres to ensure no sweat is retained next to the skin.

The technology to produce fabrics incorporating "moisture management", as it is known, has been pioneered in the sports and ski-wear industry. Aerobic outfits, for example, can be lined with a coating, such as ICI's Tuctel, to take the moisture away from the skin and prevent post-exercise chill.

Gore-Tex has proven particularly popular as a fabric coating to protect from wind and rain, for mountaineering equipment or ski-wear. Other coatings are being developed: these days some garments are even coated with Teflon, more popularly used on non-stick saucepans.

"It is very easy to make things which are waterproof, windproof or breathable," says Andrew Geere, marketing manager of Berghaus, which makes mountaineering and other outdoor equipment. "It's getting all three into a fibre which is very difficult."

Given the effectiveness of the latest high-technology fabrics it is perhaps surprising that recent expeditions have still favoured the duck-down sleeping bed as the favoured form of night-time insulation. And Shephard is rueful that pressure from animal rights groups means explorers can no longer wear animal skins. Wolf-skins, he points out, are far more effective than their synthetic imitators. "If it keeps the wolf warm just think what it does for you."

Sir Ranulph Fiennes (right) and Michael Stroud: clothing must be windproof

# ARTS

Cinema/Nigel Andrews

## All hokum and holiness

"No one can kill me. I'm blessed. I'm a Catholic," says detective Harvey Keitel in Abel Ferrara's *Bad Lieutenant*. In *Sleeper* Woody Allen, masquerading as a surgeon in the year two-thousand-and-something, was called on to reconstruct a human being from a single disembodied nose. Many of us could imaginatively reconstruct the rest of Ferrara's film from that single line of dialogue.

This is the one about the bad, possibly mad, certainly dangerous cop. Harvey Keitel's lieutenant, a corruption-prone veteran of the New York Police, is so bent that you could use him to arrest people around corners. His specialities are violent crime, drugs and sexual offences. In order to stop himself enjoying all three, he must keep invoking his Catholic beliefs. Assailed by bleeding visions of Christ, he knows that redemption is possible if he can only get his moral act together.

THE BAD LIEUTENANT (18)
**Abel Ferrara**

A RIVER RUNS THROUGH IT (PG)
**Robert Redford**

THE LAST DAYS OF CHEZ NOUS (15)
**Gillian Armstrong**

MEAN STREETS (18)
**Martin Scorsese**

Violence is "in" today. See *Reservoir Dogs*, *Man Bites Dog* and other films with or without canine titles. So the small handful of once-panned movies in writer-director Ferrara's filmography, from *Driller Killer* to *King Of New York*, have lately been undergoing revision as masterworks of gutter realism. Result: the flattered Ferrara catches the biggest dose of pretension since De Palma made *The Bonfire Of The Vanities*. After the cynical, crackling promise of early scenes – Keitel snaffling drugs from crime-scene cars, Keitel pocketing a convenience-store robber's loot, Keitel forcing a "freebie" from two ladies of the night – God gets his call to the set.

The violent rape of a nun on a church altar by two hoodlums – no sensationalist possibility omitted there, I think – first gets our hero thinking about redemption. Putting his knitted brows and muscle-bound stoop into action, Keitel keeps shambling back to the church where the crime was committed. Here he first sees a vision of Jesus complete with bleeding head and nimbus of light. Then he re-encounters the abused nun, Sister Plot Device, who counsels him to forgive rather than to avenge.

If you imagine Mickey Spillane adapting Graham Greene's *The Power And The Glory* for Michael Winner, you might have an idea of the battle raging here between holiness and hokum. All stops are out visually and viscerally. But one finally concludes that the reason Ferrara rubs our noses in depravity – real needles entering real arms, realistic blood showering real walls or windows – is that if he allowed us once to stand back and see the panoramic for the particular we might rumble the movie's idiot self-importance.

★

Idea for thesis: artist's trichological condition as trigger to his creative style. In *A River Runs Through It* America is seen by director Robert Redford as if through the golden cascades of his own hair. We are ushered into the story by RR's voice-over, purring gilded sentences from the homonymous boyhood memoir by Norman MacLean. Then, in the feature-length flashback that is the film, young Redford lookalike Brad Pitt takes over as one of the tale's two brothers, sparring for self-fulfilment with each other and with pastor father Tom Skerritt.

Actually – just for confusion – the un-Redfordish Craig Sheffer, who resembles John Malkovich with hair, plays the putative young Redford, based on the young MacLean. Pitt is his handsome sibling Paul, hellraising in early-century Montana and making Pa Skerritt so goshdarn angry. (Watch that milk jug as you thump the table, Pop.) For while Norman is college-bound and chastely enamoured of Britain's Emily Lloyd (plus American accent), Paul is deep in whores, whisky and poker debts.

Harvey Keitel as the mad, bad cop with religion in Abel Ferrara's 'The Bad Lieutenant'

We have seen this story before, have we not? About – I take a guess – 100 times. But here there is a novel metaphor. The scenes of fly-fishing in the sparkling, russet-banked rivers are given a real lyricism by Redford and his cameraman Philippe Rousselot (*The Emerald Forest*). Long fishing-lines arc and curl in sun-caught silver; Coplandish music by Mark Isham warbles on the soundtrack; and even the hardest heart melts a little at this shrewdly gorgeous image of an American Dream woven from man-made discipline and close-to-nature freedom.

For while the scenery fills the brothers' spiritual lungs, Dad sharpens their mental mettle by teaching them the "Presbyterian way" to cast a line. This involves metronomes and much mind-over-matter. Brief filial revolts are inevitable – like Paul taking Norm off on a rapids-shooting trip – but soon the boys will surely thank and respect Dad and even grow up to write about him.

The lectures never quite crush the life out of the lyricism. Even when wondering "Is Norman MacLean an outdoor version of Norman Rockwell?", we glow as the images glide past in this river trip through a never-never America. And when the sun goes down each day and we traipse indoors for the movie's lecture sessions – yes, the heart and mind, animus and anima must rule equally – we know it is only until morning that director-producer Redford has pushed his hair back under his mortar-board.

★

Idea for another thesis: The Euro-actor as today's equivalent of the Wandering Jew. Germany's Bruno Ganz seems no clearer about what he is doing in Australia in Gillian Armstrong's *The Last Days Of Chez Nous* than he was about being in England in David Hare's *Strapless* or in America in *The Boys From Brazil*.

Let me supply the answer. He is the soul of Western art and civilisation. In Armstrong's tale of Bohemian lives among a group of Aussie forty-somethings, Ganz alternates meal-table tantrums ("For two years I have been looking for zese cheeses!" when someone takes a bite from his precious Brie) with burgeoning romantic disenchantment ("Do you think we'll ever make love again?" mourns girlfriend Lisa Harrow).

He is adrift, as is the audience, in a world where the affirmative hedonism of the 1960s has turned to live-and-make-do. Gillian Armstrong made the famous, overrated *My Brilliant Career*. Here she goes for another pin-down-the-*zeitgeist* tale; but a film about formlessness is harder to do than one about formativeness. As the characters yatter around the sempiternal kitchens and Late Flower-Power sitting rooms – also present are Harrow's pubescent daughter (Miranda Otto) and pregnant half-sister (Kerry Fox) – we feel as if we are at the wrong party, pressed to the wall by yesterday's people shrilly insisting they are today's.

★

*Mean Streets*, which 20 years ago marked Martin Scorsese's breakthrough as a feature film director, is yesterday's movie but still of today. Vivid, visionary, sardonic: everything that *Bad Lieutenant* tries to be but fails. It even has the same star, Harvey Keitel, here fresher in his mannerisms as the Mafia "collector" who moves through the bars of Little Italy as if through the ante-chambers of Hell. Also present: Robert De Niro in his starmaking role as Keitel's victim pal, a human jack-in-the-box who jumps out through the screen the more the plot pushes him down.

Opera in Geneva/**Andrew Clark**

## Luisa Miller

When a tenor is on form, it is the tenor's opera – even when it is named after the soprano. This was the case with Neil Shicoff's performance in *Luisa Miller* at the Grand Théâtre, Geneva (broadcast live by Radio 3 on Saturday evening).

Verdi could have written the part of Rodolfo for Shicoff. He may not fit the conventional picture of a romantic suitor: the neurotic expression, bookish spectacles and delicate build conjure visions of an operatic Woody Allen rather than the squire's son who falls hopelessly in love with a village girl. But he still looks youthful enough for the part. The key, of course, is the voice: Shicoff remains the focus of attention simply through the emotive power of his singing.

The American tenor's trademark is his tragic, tearful vocal timbre. He does not overwork it, and despite the Italianate ardour of his delivery, he never resorts to the sobs, scoops and other mannerisms that all too many Italian tenors equate with feeling. Nor does he force the tone. On a good night like this, he hits the notes accurately, fearlessly, musically. He also gives you the impression that he is totally committed to the part, rather than sailing through it en route to the next celebrity concert.

Where Shicoff appealed to the heart, the German film director Werner Schroeter succeeded in making Verdi's first bourgeois drama appeal to the head. Schroeter's staging, designed by Alberte Barsacq and first seen last season in Amsterdam, uses period costumes, but otherwise dispenses with the customary anecdotal trappings. In their place is a permanent multi-level construction of platforms and staircases, a metaphor of the complexity and claustrophobia of Tyrolean village life. The chorus watches from side-galleries as the emotions of the principals are systematically laid bare. The result may strike some as clinical, and until the final scene the characters remain stereotypes; but the story is intelligently told, the music never crowded out.

That meant ample opportunity to appreciate the style and sparkle of the accompaniments under Carlo Rizzi, who lifted the responses of the Geneva orchestra and chorus a good notch or two above normal. Kallen Esperian's rapturous Luisa was more successful in the lyrical outpourings of the second part of the evening than the coloratura of the first. Paul Plishka, in fine voice, captured the domineering selfishness of Count Walter. Even more impressive was the crisp, penetrating delivery of the Polish bass Romuald Tesarowicz, whose Wurm recalled Obadiah Slope in the *Barchester Chronicles*: beneath the oily hauteur lies a scorpion. Antonio Salvadori, replacing Thomas Allen, was a workmanlike Miller.

**Grand Théâtre, Geneva. Final performance on Sunday**

Alastair Muir

**'The Invisible Man', much praised by my colleague Andrew St George when it opened at the Theatre Royal, Stratford East, last October has transferred to the Vaudeville in the Strand where it should give pleasure for many months. Based on the H.G. Wells novel, the piece is written and directed by Ken Hill who did the non-musical version of 'The Phantom of the Opera'. Here the wonderful illusions – *things that go bump in the light* – are provided by Paul Kieve. The unmistakeable Theatre Royal style is at its irrepressible best. The photograph shows Michael N. Harbour in a moment of visibility. You can't miss him. M.R.**

London concerts on the South Bank

## Maxwell Davies's double bass concerto

Peter Maxwell Davies's set of Strathclyde Concertos for the Scottish Chamber Orchestra, planned to be ten in number, is moving toward completion. (The series-name does honour to the enlightened action of the Strathclyde Regional Council in commissioning them.) Each one features a different instrumental soloist or concertante combination. Number seven – given its first London outing on Tuesday, at the Queen Elizabeth Hall – is for the double bass, and is perhaps the most fascinating yet.

In these works a Maxwell Davies has been revealed quite different from the adventurer of youth, the confronter of angular, sometimes violently dramatic music-theatre conceptions. His musical mode here is a subtly woven web of discourse in which purely musical ideas – about the characterisation of solo instrumental voices, the relationship of individual and group strands, the movement forward of sonata-style argument – are examined and developed. Maxwell Davies has set out in each case to fulfil his proposition as fluently, and as "continuously", as Bach or Haydn might have done. (It is probably for this reason that the concertos have already received some rather testy dismissals from former Maxwell Davies admirers.)

The proposition, in this seventh concerto, is that the double bass should be treated not as a vehicle for rhythm, or weird animal-imitation effects, or lumbering comedy, but as a lyrical voice in its own right. The gently meditative opening, in which that voice is musingly tested, with bare support from other low strings, is masterly. The particularly *Klang* of the concerto, at once warm, rather lean and full of internal variety, is achieved with a sobriety that can nevertheless run to quietly astonishing virtuoso effects of textural contrast.

On a first hearing I also admired the self-effacingly expert way the work is moved forward, via gradually unfolding melodic devices and disgorging of consonant-sounding harmonies. The sheer functional intelligence of the music is disguised, as it should be, by all its many civilised surface qualities.

The performance, by Duncan McTier and the Scottish Chamber Orchestra under the composer's baton, was excellently run-in. Not surprising: the concert – which also billed works by Edward Harper and Judith Weir and the (rather garish) first concert suite from Maxwell Davies's ballet score *Caroline Mathilde* – had been given in five British cities previously, as part of the latest Contemporary Music Network Tour.

**Max Loppert**

*Final SCO performances this weekend, in Sheffield, Bath and Northampton*

## 'Fantastic' without fantasy

At the end of a piece, the conductor Zubin Mehta likes to swing straight round to the audience even while the last chord resounds, with uplifted arms that mean something like "Hey, WOW!! – yeah?" (We have to remember his 13 years with the New York Philharmonic.) He did it after his Berlioz *Symphonie fantastique* with the London Philharmonic at the Royal Festival Hall on Tuesday, and drew an instant "Bravo!" from a voice in the usual place: rear right in the Terrace.

Though there was some modest justification for that, there had been none earlier, at the close of the same composer's *Beatrice and Benedict* overture. The "caprice written with the point of a needle", as Berlioz put it himself, was remarkable chiefly for the cautious tempo Mehta chose for the main material (almost unaccented, certainly without any glint of embattled wit) and the leaden glumness of the "romantic" episodes. If one wanted to have Berlioz condemned to programme-filler status, a performance like this would reinforce the cause.

The "Fantastic" was better, but only by a few public degrees. Mehta engineered a thoroughly professional reading. There were stage-explosions in the right places, and they were properly led up to by purposeful developments – extrovert, candid, muscular. At the subcutaneous level, nothing happened at all. Berlioz's most original strengths can be detected only *beyond* the literal notes; here, hardly anything of his tremulous confessional vein, his sudden catches of breath or his abrupt violence made itself felt – just bold colours and professional energy. Not at all bad, but not very good: the visionary aspect of the score was reduced to newsprint photos.

In Bartók's 2nd Piano Concerto there were more penetrating flashes, thanks entirely to András Schiff's account of the solo part. They were mostly confined to the lyrical piano intermezzi, however, on which he lavished quirkily elegant insights. In the rougher music Schiff's lack of percussive conviction, of forceful rhetoric, left him an easy prey to the devouring orchestra.

In fact the LPO sounded raw, much less well rehearsed than for the "Fantastic". For the central Adagio the hazy, muted strings and timpani were evocative enough, but in the bright outer movements the whole band never achieved the leanness and tautness that the music demands. I had to put on the Philips recording, by Zoltán Kocsis and Iván Fischer with the Budapest Festival Orchestra, to remind myself how much more is invested in Bartók's score.

**David Murray**

*Sponsored by Mrs Jackie Rosenfeld*

# INTERNATIONAL ARTS GUIDE

## ■ ATHENS

**Concert Hall** Tonight: Leonidas Kavakos plays solo violin music by Bach. Tomorrow: Athens State Orchestra's Scandinavian music cycle continues with a programme of works by Nordal, Grieg and Sibelius (722 5511)

## ■ BOLOGNA

**Teatro Communale** Bruno Bartoletti conducts first night of Elijah Moshinsky's production of Simon Boccanegra on Sat, with Renato Bruson, Roberto Scandiuzzi, Lucia Mazzaria and Alberto Cupido.
Runs till March 9, with Paolo Gavanelli singing the title role in the second performance on Sun afternoon.
Mon: Takacs Quartet.
Tues (in Palazzo dei Congressi): Geneva Ballet in two works by Ohad Naharin (529999)

## ■ GOTHENBURG

**Konserthuset** Tonight: Rafael Frühbeck de Burgos conducts Gothenburg Symphony Orchestra in works by Haydn and Berlioz (repeated tomorrow in Stockholm). Tues: Ars Intima plays works by Bach (167000)

## ■ LONDON

**THEATRE**

● Trelawny of the Wells: Pinero's comedy paints a fond portrait of late Victorian theatrical life and its relationship with the upper class. John Caird directs a strongly-cast National Theatre production opening tonight (Olivier 071-928 2252)

● Hamlet: Adrian Noble's full-length RSC production starring Kenneth Branagh. Runs till March 11 before transferring to Stratford (Barbican 071-638 8891)

● Crazy For You: this lavish romantic musical, based on Gershwin's Girl Crazy, includes show-stopping numbers like I Got Rhythm. It reopens the Prince Edward theatre after extensive renovation. Currently in previews, Press night March 3 (Prince Edward 071-734 8951)

● No Man's Land: Harold Pinter leads the cast as Hirst in his own play, with Paul Eddington as Spooner. This acclaimed production was originally staged by David Leveaux at the Almeida (Comedy 071-867 1045)

● Playland: Athol Fugard directs the British premiere of his latest play with John Kani and Sean Taylor, leading actors from Johannesburg's world-renowned Market Theatre. The play has been acclaimed as one of the first to confront the questions facing the new South Africa. Opens next Thurs (Donmar Warehouse 071-867 1150)

● The Importance of Being Earnest: Maggie Smith is Lady Bracknell in a star-studded production of Oscar Wilde's most popular comedy, directed by Nicholas Hytner. Previews begin on Mon, Press night March 9 (Aldwych 071-836 6404)

**OPERA/DANCE**

**Covent Garden** Royal Opera has a final performance tonight of Stiffelio with Giorgio Lamberti in title role, plus Il barbiere di Siviglia with Thomas Hampson, Gabriel Bacquier and Jennifer Larmore (tomorrow, next Mon, Thurs and Sat). Mark Ermler conducts a revival of Andrei Serban's production of Turandot on Sat (in repertory till March 13), with Gwyneth Jones and Grace Bumbry alternating in title role (071-240 1066)
**Coliseum** ENO revives Patrick Mason's Opera North production of Don Pasquale tomorrow with Andrew Shore in title role (in repertory till April 5). Jonathan Miller's production of Rigoletto can be seen tonight and next Thurs, plus Carmen with Sally Burgess on Sat, next Tues and Fri (071-836 3161)
**Sadler's Wells** Next Mon-Sat: English Touring Opera presents Cosi fan tutte and Falstaff (071-278 8916)

**CONCERTS**

**South Bank Centre** Tonight: Günter Herbig conducts RPO in works by Wagner, Schumann and Tchaikovsky, with piano soloist Janina Fialkowska. Tomorrow: Hakan Hardenberger plays Maxwell Davies' Trumpet Concerto. Tomorrow in QE Hall: Robert Holl song recital. Sun afternoon: György Pauk, Peter Frankl and Ralph Kirshbaum play Schubert piano trios. Sun evening: Zubin Mehta conducts LPO in works by Elgar, Mendelssohn and Tchaikovsky, with violin soloist Midori. Tues: Richard Goode plays Schubert piano sonatas. Wed: Adrian Leaper conducts London premiere of Maxwell Davies' The Turn of the Tide. Next Thurs: Alfred Brendel (071-928 8800)
**Barbican** Tonight: Kent Nagano conducts LSO and Chorus in Mahler's Third Symphony, preceded by Ute Lemper singing Weill. Sat: Gilbert and Sullivan concert. Sun afternoon: Labeque Sisters. Mon: Libor Pesek conducts RLPO in works by Mozart, Rakhmaninov and Berlioz, with piano soloist Frederick Kempf. Next Thurs: Mstislav Rostropovich conducts LSO in opening concert of Britten Festival, including world premiere of new work by Colin Matthews (071-638 8891). Sat at Wigmore Hall: Sergei Leiferkus sings Prokofiev and Tchaikovsky (071-935 2141)

## ■ PRAGUE

**OPERA**

The main event this week is the first night on Sun of Prague State Opera's new production of Un ballo in maschera, conducted by Martin Turnovsky. The repertory also includes Rigoletto tonight, L'elisir d'amore tomorrow and Minkus's ballet Don Quixote on Sat and Mon (265353). National Theatre has The Bartered Bride on Sat and Mon, Don Carlo on Tues, La forza del destino on Wed and Hurnik's The Ladykillers on Feb 28 (205364). Estates Theatre has Le nozze di Figaro tomorrow and next Thurs (228658)

**CONCERTS**

Tonight and tomorrow at Dvorak Hall, Vaclav Neumann conducts Czech Philharmonic Orchestra and Prague Philharmonic Choir in Mahler's Second Symphony. Next Wed: Martinu Quartet (286 0111)

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 261602, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

## ■ STOCKHOLM

**OPERA/DANCE**

**Royal Opera** Tonight, tomorrow, next Wed: new ballet production with choreographies by Kylian, Béjart and Alvin Ailey. Sat afternoon: Cav and Pag. Next Thurs: Les Contes d'Hoffmann (248240)
**Rotundan** Sat: world premiere of Amorina, romantic chamber opera by Lars Runsten, repeated Feb 23, 25, 27 (248240)

**CONCERTS**

**Konserthuset** Tonight and Sat afternoon: Goran Wilson conducts Stockholm Philharmonic Orchestra. Next Wed: Paavo Berglund conducts works by Stennhammar, Sibelius and Dvorak, with violin soloist Leonidas Kavakos (244130)
**Berwaldhallen** Tomorrow evening, Sat afternoon: Leif Segerstam conducts Swedish Radio Symphony Orchestra and Chorus in works by Eliasson, Scriabin and Borodin (784 1800)

## ■ UTRECHT

**Vredenburg** Tonight: Edo de Waart conducts Netherlands Radio Philharmonic Orchestra in works by Straesser, Richard Strauss and Mahler, with soprano soloist Charlotte Margiono. Sat: Stanislav Skrowazcewski conducts Royal Concertgebouw Orchestra in works by Prokofiev, Respighi and Lutoslawski. Sun afternoon: Evgeny Svetlanov conducts Hague Philharmonic Orchestra in symphonies by Rimsky-Korsakov and Brahms. Mon: Roberta Alexander song recital. Tues: Labeque Sisters (314544)

## ■ ROTTERDAM

**De Doelen** Tonight: Jeffrey Tate conducts Rotterdam Philharmonic Orchestra in works by Humperdinck, Mahler and Brahms, with mezzo soloist Marjana Lipovsek. Tomorrow: Eduardo Marturet conducts Rhineland Pfalz State Philharmonic Orchestra in Brahms's Second Piano Concerto (Karin Lechner) and Second Symphony (413 2490)

**European Cable and Satellite Business TV**
(All times are Central European Time)

**MONDAY TO THURSDAY**

**Super Channel:** European Business Today 0730; 2230

**MONDAY**
**Super Channel:** West of Moscow 1230.
**Super Channel:** Financial Times Reports 0630

**WEDNESDAY**
**Super Channel:** Financial Times Reports 2130

**THURSDAY**
**Sky News:** Financial Times Reports 2030; 0130

**FRIDAY**
**Super Channel:** European Business Today 0730; 2230
**Sky News:** Financial Times Reports 0530

**SATURDAY**
**Super Channel:** Financial Times Reports 0930
**Sky News:** West of Moscow 1130; 2230

**SUNDAY**
**Super Channel:** West of Moscow 1830
**Super Channel:** Financial Times Reports 1900
**Sky News:** West of Moscow 0230; 0530
**Sky News:** Financial Times Reports 1330; 2030

# Worst of friends

## Foreign critics of Clinton have been unfair, argues Jurek Martin

There is a jumpiness about America's friends and allies in the early days of the Clinton administration that has been widely noted. It needs to be held in check.

The European Community, Britain and Japan have all been guilty of excess nervousness above and beyond that which is normal when the US acquires a new government. That the US is now the world's only superpower is not an excuse.

Narrowing the general to the particular, those accused include Sir Leon Brittan, the EC commissioner, Mr Douglas Hurd, the British foreign secretary, and unnamed Japanese "officials". Excluded from the charge sheet, however, is Lord David Owen, the EC's Balkan negotiator, for reasons that will be explained later.

The evidence is as follows: last week, at his "town meeting" in Detroit, President Bill Clinton was asked by a questioner from Seattle, where Boeing is the number one employer, what needed to be done about lay-offs in the US aerospace industry.

He replied, probably for the 73rd time, that one of the competitive problems facing the US industry was subsidised foreign competition, viz Airbus Industrie. In the opinion of the EC and Sir Leon, he thus overlooked the fact that the US and the Community had temporarily buried the hatchet on Airbus subsidies last year.

That agreement may well be the equivalent of the Magna Carta in European bureaucratic and industrial eyes, but it is doubtful that it has entered Mr Clinton's consciousness yet. It is, therefore, ridiculous to assume that he was making policy on the hoof, which seems to have been the reflex reaction in European capitals last Friday.

This was not Sir Leon's first offence. He had leapt all over the Clinton administration, accusing it of "unilateral bullying", when the steel dumping rulings were announced in the first week of the new US government. He may have done so for tactical reasons, but he also did so in the certain knowledge that this was a process, unfair as it may be, set in train under President Bush and, regardless of the occupant of the White House, unalterable under US procedures.

Mr Hurd, by reputation so cool, calm and collected, also has charges to answer. He knew perfectly well, because the British embassy in Washington had told him so, that there was nothing sinister in Mr Warren Christopher's comments a while back about the composition of the UN Security Council. The secretary of state had been asked, at his own "town meeting" with his new staff, if it was not the case that the Security Council's composition should reflect the global power structure of today and not that of 1945 when it was established. He replied that of course it should reflect contemporary realities, but, in hedging his answer with many qualifications, he did not leave the impression that he wanted Britain kicked off it.

Mr Hurd, however, needlessly rose to the British tabloid bait, huffing and puffing about the importance of British membership, after a perhaps gratuitous reference to US financial arrears to the UN.

**America's allies have seemed self-serving rather than recognising reality**

It is hard to keep track of the Japanese egregiousness in a fistful of mostly anonymous Tokyo briefings questioning US trade policy. This is a legitimate concern though mostly derived from reading what once liberated academics such as Laura Tyson have written over the years and which conveniently forgets that few heads of the Council of Economic Advisers, which she now is, have exercised real policy clout in living memory.

More than that, these same sources have been questioning the moral fibre of American society. There are reasons for such questions, especially when Japanese visitors to the US have suffered violent physical attacks. But the extrapolation of specific incidents into a general decay takes a little stomaching on this side of the Pacific, where people are aware not only of Japan's trade practices but also of its unwillingness to sully itself by taking more than the bare minimum of the 18m refugees now littered around the world.

Lord Owen, whose excoriation of the presumed US policies towards Bosnia were, until last week, conspicuous, at least had both legitimate grievances (lack of consultation by the new administration and the blackening of the reputation of his negotiating partner, Cyrus Vance) and an immediate purpose. This was to try and dissuade Washington from rearming the Bosnian Moslems, which, he was convinced, would have scuppered the Vance-Owen peace process.

He played his thin deck of cards for all it was worth, not only with the administration, with success, but also, exquisitely if with mixed results, with the pundits of The New York Times.

But the combination of all the above, excepting Lord Owen, guilty only of typically bad manners, has not exactly been to make friends and influence people in Washington. America's friends and allies have seemed petulant and self-serving rather than recognising reality – which is that they need the new US administration as much as, if not more than, at any time since the reconstruction after the last world war.

What should be borne in mind is that, for the first time in 12 years, the US has a government from a different party. Its instincts, its priorities and its value judgments may well be some miles removed from its immediate predecessors, especially from President Bush, schooled almost exclusively in the clubby and cold war-dominated world of international affairs still inhabited by so many western leaders.

Europe, the UK and Japan have to learn that this administration may take its time to make up its mind on policy issues and that, to paraphrase LBJ on J Edgar Hoover, it is better to be on the inside of the tent urinating out than vice versa. Given the fractured state of Europe and Japan's uncertainty, the only nation currently capable of putting up the tent is the US. And if Mr Clinton is too polite or too canny to say so, then there are a lot of Americans with influence who are not. Just for starters, most consider Bosnia to be "a European war".

*ECONOMIC VIEWPOINT*

# The unwelcome pay-jobs link

## By Samuel Brittan

The most useful thing I can do as British unemployment once more rises to 3m is to summarise the main features of the problem as I see them.

● *The immediate reason for the jobless explosion is the severity of the recession and the slow recovery from it.*

That in turn reflects the severe collapse of property prices, which has made both individuals and companies more anxious to repay debt than to take on new commitments. It has also made the banks, whose own balance sheets have been hit, ultra-cautious about new lending.

There may also be a further feedback from unemployment itself. A Barclays Bank survey suggests that 40 per cent of the adult population and 50 per cent of those at work are more hesitant about borrowing because of the fear of job loss.

● Businessmen who say that the recession is not the only factor are correct. But they often mistake what the fundamentals really are.

For instance, Mr Percy Barnvik, the president of the ABB, the world's largest power engineering group, told the Financial Times (Jan 4) that inexorable advances in productivity were leading to large-scale permanent unemployment.

This is the most frequently recurring scare in world economic history and is sometimes dignified by the name "*lump of labour fallacy*". It is based on the idea that total output is fixed, so that if fewer workers are needed in one line of activity they must end up on the scrap-heap.

This fallacious diagnosis leads to fallacious remedies, mainly designed to reduce the labour supply, such as emigration, compulsory reduction of working hours, early retirement, and so on. It was embraced in the 17th century by James I of England, otherwise known as the "wisest fool in Christendom", who wanted to carry off the unemployed to Virginia and Newfoundland.

● What such practical men fail to see is that unemployment is a market relationship, but one of some complexity.

The most widely understood aspect is that between unemployment and inflation. There is indeed no long-term trade-off between the two. Employment is not higher in Latin America countries prone to double-digit inflation or in the former Soviet Union than it is in sound money countries. But it is true, that *the move from a high rate of inflation to a lower one involves a temporary rise in unemployment*, as the UK saw in the early 1980s and again in the early 1990s. Similarly an inflationary upturn is often accompanied by a temporary reduction of unemployment to abnormally low levels, as in the late 1980s.

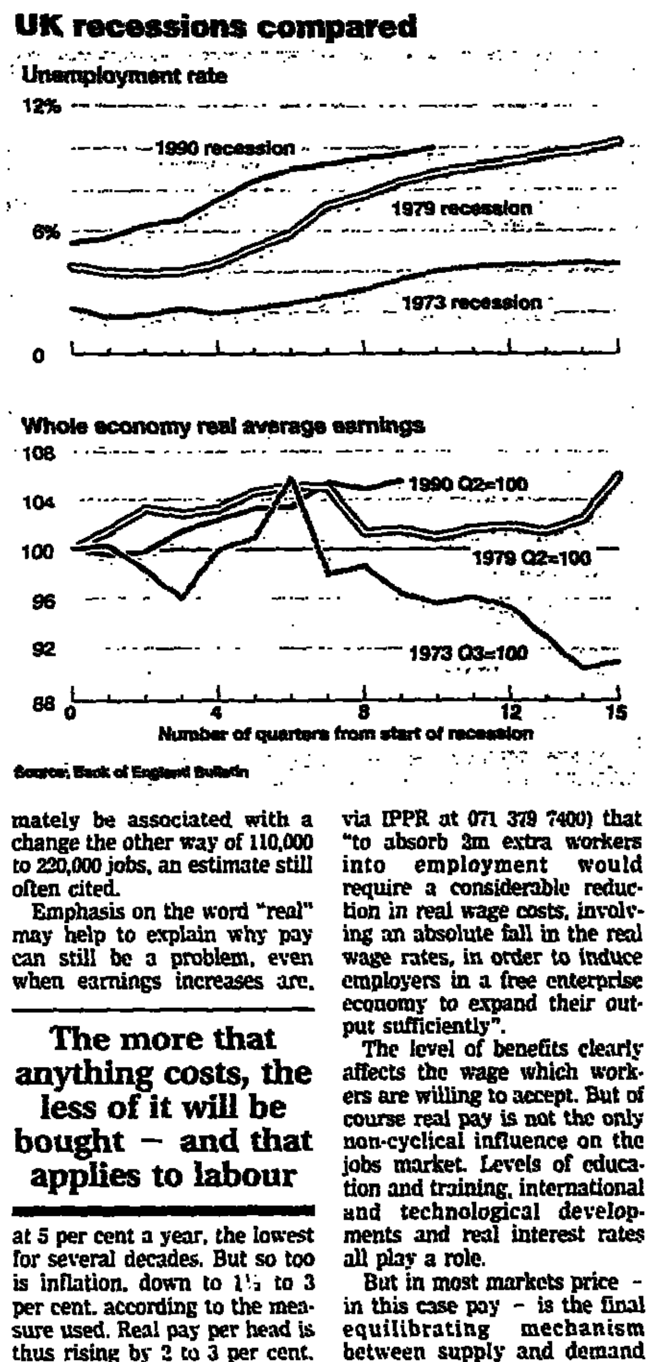
● The approach via inflation does not however explain why the number of people out of work should now be so high over the average of the business cycle. UK unemployment exceeded 3m in the aftermath of the last recession. But the drop to below 1.7m in 1990 proved an unsustainable after-effect of the previous boom. It looks as if the equilibrium rate of unemployment cannot be very far from 2.5m.

We need to move back a step. Just as there is a relationship that goes from unemployment to nominal pay (that is pay in money terms) *there is another relationship that goes from real pay to unemployment.* The higher the level of real pay per head, the smaller the number of workers likely to be offered jobs.

At a common-sense level the relation is simple enough. The more that anything costs, the less of it will be bought. But it is difficult to demonstrate statistically in the national labour market, with so much else going on in the economy at the same time.

There is the statistical problem of which measure of real pay best represents employers' costs. The more basic problem is that the true cost of employing labour depends on the margin above labour and other costs that a business can get away with imposing, which is difficult to explain without a good model of how the whole economy works. Such models are not easy to come by.

The Treasury did have a shot at the subject in 1985 under a chancellor, Nigel Lawson, who was not afraid to talk about the link between pay and jobs. Its paper, The Relationship between Pay and Jobs, estimated that a change of 1 per cent in real wages would ultimately be associated with a change the other way of 110,000 to 220,000 jobs, an estimate still often cited.




Emphasis on the word "real" may help to explain why pay can still be a problem, even when earnings increases are at 5 per cent a year, the lowest for several decades. But so too is inflation, down to 1½ to 3 per cent, according to the measure used. Real pay per head is thus rising by 2 to 3 per cent. By contrast, Professor James Meade remarks in a fascinating memorandum to Labour's Borrie Commission (contactable via IPPR at 071 379 7400) that "to absorb 3m extra workers into employment would require a considerable reduction in real wage costs, involving an absolute fall in the real wage rates, in order to induce employers in a free enterprise economy to expand their output sufficiently".

**The more that anything costs, the less of it will be bought – and that applies to labour**

The level of benefits clearly affects the wage which workers are willing to accept. But of course real pay is not the only non-cyclical influence on the jobs market. Levels of education and training, international and technological developments and real interest rates all play a role.

But in most markets price – in this case pay – is the final equilibrating mechanism between supply and demand after all other influences have been taken into account; and in the labour market it reacts sluggishly and incompletely.

One reason for the difficulties economists have in tracing the pay-jobs relation is that they look too much at national averages and not enough at pay for specific skills and categories of workers, where market-clearing differentials have widened out in recent years. In an Economic Viewpoint of January 14, I summarised how the US has had a better jobs record than Europe, but at the expense of driving down real pay for the less skilled.

There are also cultural and moral influences which economists do not much like discussing. Indeed, it is often the most enlightened businessmen who are most resistant to any talk of a link between pay and jobs and who boast of their small but well-paid labour forces.

● They have indeed good reason to be worried, even if their own actions are not as helpful as they think. *For driving down real wages to market-clearing levels could have morally unacceptable effects on the distribution of income, unless low rates of pay are supplemented by some other means.*

Prof Meade's main interest is in moving from a conventional welfare state to a modest citizen's income available to all. But similar reasoning applies to workfare, special employment measures and all the other palliatives. They are all basically ways of employing people without making employers pay the full going rate. One of the best analyses I have seen is that of RS Musgrave (Workfare, 24 Garden Avenue, Samwellgate Moor, Durham, DH1 5EQ). As he says, in a totally free market the unemployed have the choice of doing nothing, or doing a job other than their usual one for a while. Governments have usually subsidised only the choice of doing nothing.

Nevertheless there is no reason why job subsidies should be confined to the public sector or to special projects of any kind. *Whatever is valuable in the workfare idea can be achieved by marginal employment subsidies to normal employers on a temporary and a limited basis.*

Of course these measures are putting sticking plaster on the problem and it will be quite a while, if ever, before the labour market can be fundamentally reformed. It was a political mistake for the Thatcher and Major governments to wind down their special employment programmes on the back of a temporary economic upturn which could not be expected to resolve the underlying jobs problem.



# LETTERS TO THE EDITOR

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## A flawed capital rules strategy

*From Prof Stephen M Schaefer.*

Sir, News that the International Organisation of Securities Commissions (Iosco) has decided to abandon its attempts to devise a set of rules governing minimum capital requirements ("Iosco drops common capital rules plan", February 11) should be welcomed by all those who regard the prudential regulation of securities companies as an important matter.

The Iosco proposals were flawed in at least two important respects. First, under the banner of "level playing fields" they sought to impose rules which completely failed to take into account the substantial differences in structure which exist between different securities markets.

Second, the rules would have forced companies to look at risk in ways which were 40 years out of date and inconsistent with best practice in leading financial institutions.

It is inevitable that at some stage the question of harmonisation will re-emerge on the agenda of international regulation. When it does, let us hope that political problems in reaching consensus do not, as on this occasion, lead to second-rate solutions to an important regulatory problem.

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## Not a sterling response

*From Mr David Hughes.*

Why is it that every person I speak to overseas asks me why the British are not taking advantage of cheaper sterling to boost exports? My answer is that they are using cheaper sterling to widen their margins rather than increase sales.

Meanwhile, the Japanese and the Germans are gaining market share. "Not very clever," as someone said recently in Johannesburg.

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## Road tolls: financial penalty and social costs understated

*From Mr Kenneth Faircloth.*

Sir, Richard Tompkins makes an excellent try at balancing the pros and cons of motorway tolls, ("For whom the road tolls", February 13).

However, suggesting that motorists might be paying £3.9bn less than motoring's true price, thanks to the "cost of capital" element of £7.2bn, ignores the financial penalty that we would face if no motorway network had been built. The Confederation of British Industry puts the cost of congestion at £15bn (at 1988 prices). Without motorways, delays would be taking an economically crippling toll. Therefore the capital element has no legitimate place in the balance sheet, leaving UK motorists more than £3bn in credit.

The key question is, will the Treasury allow us to have a motorway network to meet our economic and social needs? The answer is that it will not, and direct charging for the use of motorways appears likely.

The AA opposes motorway charging unless (a) all income raised from motorway charging is used for improvement, maintenance and management of the motorway network; and (b) motorway charges must be matched by a corresponding reduction in motoring taxation.

For Britain's road-based economy the government's total spend on roads is £5.5bn against a tax take from motorists of £14.7bn (excluding VAT). British motorists won't give the government a blank cheque, but they will demand that their money is used to provide a quality road system.

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*From Dr Ian Smith and Dr Felix FitzRoy.*

Sir, Richard Tomkins correctly argues for the inclusion of accident and environmental costs of road transport in a cost-benefit analysis of motoring. However, his case is weakened by the use of estimates far too low, namely £6.1bn for accidents and £1.7bn for the environment. The Umwelt und Prognose Institute in Heidelberg has published careful estimates for external costs in West Germany in 1989 which are roughly comparable to the current UK situation. They calculate total accident costs at about DM70bn and all external costs of road traffic at DM250bn, equivalent to 12 per cent of German national income. Even allowing for higher traffic density and accident rates in former West Germany, the corresponding UK figure should be at least six times that quoted by Tomkins.

Urban congestion can be most effectively reduced by improving public transport with priority lanes and restricting car access, as in Zurich and other Continental cities. The general problem is most effectively dealt with by higher fuel taxes rather than cumbersome new road taxes.

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## French compounding exchange rate problem

*From Mr Nick Parsons.*

Sir, Samuel Brittan sets out concisely the balance of opposing forces on the French Franc/D-Mark exchange rate ("Modest repairs to ERM 'fault lines'", February 15). Rather than a European Monetary Institute, or council of so-called "wise men" though, a mechanism already exists for spotting currency misalignments and making necessary adjustments. It is the $300bn a day foreign exchange market.

No EC country can be immune from the dramatic economic slowdown in Germany but France's rigid adherence to the ERM and the interest rates necessary to prevent speculation in the foreign exchange market are making a bad situation worse in the short term. The interest rates set by the Bundesbank may or may not be appropriate for Germany but it is hard to imagine they are appropriate for France at the moment.

What have the authorities to fear from a floating franc? If they believe their own rhetoric about fundamentals, the currency may even appreciate on interest rate cuts designed to stimulate economic growth. The way to find out is to float openly or to set such wide fluctuation bands that the exchange rate is not a policy constraint.

Mr Brittan suggests that the searching for correct exchange rates "is like looking in a dark room for a black cat which is not there". The French view of European monetary union compounds this problem by keeping the cat to guard against a German mouse which is not there either.

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## Wrong angle on a short-term problem

*From Mr Gerald Park.*

Sir, Your odd-angled, close-up photograph of machinery (February 15, page 7) is about as fair and sensible an illustration of "unsightly opencast mining" as a below-the-rim photograph of an unflushed lavatory would demonstrate the poor quality of bathroom decor and design.

The serious environmental problems of deep mining should not be ignored. These include the disposal of colliery spoil, subsidence, and the need for high-level equipment. By contrast, the comparatively short-term disturbance arising from opencasting is followed by restoration which often recreates landscapes that have disappeared as a result of long-term agriculture.

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# Clinton's state of the union

MR CLINTON is not the first – and will not be the last – elected politician to abandon what he promised during an election campaign. Nor is he the first to give as his excuse the unexpectedly dire state of the public-sector finances. The Republicans hope that voters will blame him for abandoning his "middle-class tax cut". Certainly, Mr Clinton is taking a gamble in the tax increases he now proposes. He bought votes on the basis of promises he knows he ought not to keep. But what matters most is not whether Mr Clinton's lips were worth reading during the campaign. It is whether they are worth reading now.

Mr Clinton is a Democrat. His economic plan represents a decisive shift from the last 12 years of Republican rule. Higher taxes are certain, with the planned increase amounting to well over 1 per cent of gross domestic product. But spending cuts are supposed to be greater than the planned increases in spending. It is not so much a case of "tax and spend" as of "tax and reallocate spending".

It is not the fact of higher taxation – $240bn more over four years – that marks the change, it is also the nature of those taxes. Some 70 per cent of the increase in taxation is to be contributed by people earning over $100,000 a year (£69,000). But tax increases are not restricted to "rich" individuals and corporations. Higher taxes on energy, for example, will fall on virtually all Americans.

Meanwhile, spending is to be cut by $250bn over four years, some $80bn from defence, $50bn from non-defence discretionary spending and no less than $90bn from entitlements. But – mark the weasel words – spending reductions are to be phased in over time, while there is to be a $160bn increase in "investment".

### Deficit reduction

The bottom line is be a reduction in the federal budget deficit from $332bn (5 per cent of gross domestic product) in the current fiscal year to $207bn (2½ per cent of GDP) by 1997. Total deficit reduction is to be some $500bn over four years, with the deficit in 1997 to be at least $140bn below the Congressional Budget Office's forecast for that year. What makes this reduction in the deficit less plausible is the unnecessary net stimulus of $30bn in the first year. The joy comes first; the pain comes thereafter.

Is the plan plausible?

This plan is plausible only if the president can both obtain the tax increases and the control over spending that he wants. Plans for higher taxes will confront outraged interest groups, perhaps even an outraged public. "His" voters may feel happy about taxing "the rich". They will be less happy about taxes on themselves. As for spending control, that can only be a hope. The president may propose, but Congress disposes.

### Political courage

Politically, the plan is brave. Economically, however, it falls short of what is needed. At present, the US has the lowest national savings rate of any industrial economy, bar Greece, and a federal deficit that absorbs 80 per cent of private gross savings. A faster rise in the US standard of living demands a marked increase in its rate of capital formation. For that the US needs a balanced budget, perhaps even a surplus. Without one, Mr Clinton will fail to deliver on his promise of a transformed US. The need for a smaller structural deficit is greater still when increased taxes fall so heavily on those who save most.

Mr Clinton's dilemma is that he believes in more public spending, but has also decided – quite rightly – that the structural deficit needs to be cut. Political realities mean that he can offer less deficit reduction than is required and less additional spending than his supporters desire. He is bound, in short, to make far more people unhappy than happy. Much political capital will be spent in selling a programme that still falls short.

Unhappily, the temptation for a Democratic administration that cannot deliver substantial spending increases through the budget is to deliver them off-budget, instead. Costs can be loaded on businesses, via higher minimum wages, to take one example. Costs can also be loaded on consumers, via protection against imports. In the long term such changes could have dire effects on US employment and growth. Mr Clinton faces no easy choices. Though his budget plan may not be enough, it is broadly in the right direction. But many temptations remain.

# An overmighty president

THE CONSULTATIVE committee set up by President François Mitterrand last November, to consider reform of the French constitution, has produced a useful clutch of detailed proposals for updating and reforming the French constitution. None of them is dramatic; most of them are rather constructive; cumulatively, they should strengthen the position of the government, enhance the role of the parliament, and in general improve the democratic process.

On the most central issue, however, the report is a disappointment; for the committee has balked at two key questions: should the president's policy-making power be more clearly defined (and circumscribed), and should his time in office be more restricted?

On paper, the functions granted to the president are those of an ultimate arbiter above the political fray; in practice, every president since General de Gaulle has exercised dominant authority in foreign policy and defence; and as a result of creeping presidentialism, there is now virtually no aspect of public business which is not subject to President Mitterrand's influence. If the constitution has a serious defect, it is that the president's power is not merely untrammelled (because undefined), but also irresponsible (in the literal sense of the term) because it is uncontrolled. The committee walks gingerly round the issue, but leaves it in a fudge.

### Shorter term

The power of the presidency is manifestly due partly to the length of the mandate, which is seven years renewable, and which allows the president to outlast any government. Many political leaders, including President Mitterrand, have argued for various forms of shorter term; but the committee was unable to agree on any alternative.

These two shortcomings are regrettable. By most criteria, France has been (and continues to be) well-governed, and there is no serious justification for minority demands for a wholesale change of republic. But creeping presidentialism has contributed to the growing wave of popular discredit, which has affected both the image of the president and the reputation of the political class.

If President Mitterrand's popularity is at a low ebb, it is *both* because he is held responsible for the policy failures of the Socialist government, *and* because he stands aloof with all the trappings of an absolute republican monarch. If the Socialist party is unpopular, it is partly because of the combined effect of high unemployment and low financial scandals, but partly because parliament's reputation is necessarily depreciated by the tentacular power of the president.

### Useful reforms

Despite having avoided the central issue, the committee has proposed some useful reforms. The legitimacy of new governments will be enhanced if they have to secure a parliamentary vote of confidence. The National Assembly should become more influential, if members are forbidden to double up as mayors of large towns or as regional presidents, and if ex-ministers automatically recover their seats in parliament. The political class may regain some popular respect, if it cannot twist the electoral system except by a two-thirds majority. Governments may pay more attention to public opinion, if MPs or even ordinary voters can mobilise popular referenda.

At the end of the day, however, the committee seems content that France should continue to live under a presidential system, with all its advantages and all its disadvantages. So far the system has proved remarkably resilient; but it may be severely tested if the March general elections produce a serious political conflict between an ageing president at the tail-end of his second term of office, and a combative conservative government with a 200-seat majority in parliament.

The issue of the presidential mandate is not closed, however. A draft law for reforming the constitution will be laid before the Senate some time next month, and it will obviously follow the recommendations of the committee. But the new conservative majority in the parliament which will be elected in March, could well impose an amendment to shorten the presidential term.

# A battle on the Italian front

**Haig Simonian** on the wide-ranging problems facing the new Japanese boss of a European state steel group

For Napoleon Bonaparte, the island of Elba represented a brief period of exile before he moved on to greater glories. For Mr Hayao Nakamura, the Japanese manager who today takes over as managing director of Italy's Ilva state steel group, the company could be the stepping stone to a bigger corporate crown, or the unenviable termination of an impressive career.

Ilva – the Latin name for the iron ore-bearing Mediterranean island – was supposed to mark a fresh start for the state steel industry after the collapse of Finsider, the former public-sector steel giant, out of which Ilva was born in 1988.

Instead of rising from Finsider's ashes, Ilva has staged a remarkable replay of its demise. It has been trapped in a downward spiral of rising losses and soaring borrowing, estimated to have reached L8,300bn (£3.78bn) last year.

Many of the problems at Ilva, Europe's fourth-biggest steel maker after Usinor-Sacilor of France, British Steel and Thyssen of Germany, are common to the industry. Prices in Europe have dropped by about 30 per cent since 1989 as a result of recession and overcapacity, notably because of cheap steel imports from eastern Europe. Last month, the outlook worsened with the threat of US duties on European steel.

Yesterday, the European Commission proposed a restructuring plan for the EC's ailing steel makers in return for financial aid of at least Ecu480m (£384m) to help cover social costs.

An Ilva spokesman welcomed the Commission's suggestions for action against what he called "suspected dumping" of eastern European steel in the EC. However, he warned that "capacity cuts by EC producers must be accompanied by measures to alleviate the social impact of the job losses involved".

Ilva is likely to remain one of Europe's weakest producers, however. "It is in an appalling mess," says Mr Jonathan Aylen, a lecturer in economics and steel industry specialist at Britain's Salford University. "If you take indicators such as labour productivity, product quality or innovation, Ilva is very much in the second rank in Europe."

In 1991, Ilva lost L504bn after minority interests and setting aside L411bn in extraordinary gains in a special restructuring fund. Recently its financial decline has become alarming with losses of L1,750bn in the first 11 months of 1992.

Last month, IRI, the Italian state holding company which controls Ilva, decided to draw the line. Shocked by the deterioration in Ilva's earnings – IRI had been forecasting a much lower Ilva loss of between L1,000bn and L1,300bn as recently as early January – it demanded the resignation of the steel maker's board of directors.

The following day, it appointed Mr Nakamura, a former Nippon Steel executive, to the top job at Ilva.

While the group's problems are symbolic of those facing most European steel makers, they are also a legacy of Italian state intervention in industry, where investments and strategic business decisions have been made as much on political as on commercial grounds.

Under the government of Mr Giuliano Amato, which came to power last summer, the Italian authorities have demanded that public sector companies improve their financial performance. The government's sweeping privatisation plan is vital to lowering Italy's budget deficit, which at L163,150bn last year equals almost 11 per cent of gross domestic product. Where possible, profitable state enterprises such as the SME foods group have already been put up for sale. In the case of acute loss-makers such as Ilva, financial restructuring and management changes represent the first steps toward improving earnings and encouraging private investment.

Last month's decision to seek the resignation of Ilva's former board of directors and choose a foreigner as managing director was an indication of Mr Amato's determination to minimise the influence of political considerations in industrial decision-making. Top management changes at Iritecna, the loss-making state-owned civil engineering and contracting group, suggests a similar strategy is under way there.

The choice of a foreigner at Ilva was nevertheless unusual; the selection of a Japanese executive is unprecedented in one of Europe's most protected markets. But the appointment of Mr Nakamura indicates IRI, struggling to reduce group debts of nearly L70,000bn, is determined to sort out its wayward steel subsidiary.

Mr Nakamura has impressive credentials. At 56, he has a solid background in the steel industry, most recently as Nippon Steel's Italian representative. Having lived in Italy for almost 30 years, he knows the country and language well.

He is also one of a handful of Japanese businessmen who understand Italy's state sector. Mr Nakamura, who takes over today spent time in the 1960s as the Rome representative of Japan's Ministry of International Trade and Industry. In the 1970s, he worked closely with Finsider on the expansion of its vast Taranto integrated steel works, still Italy's biggest but now a big drain on Ilva's resources. Later, he advised on the development of the Novi Ligure facility.


In spite of his qualifications, observers are asking how Mr Nakamura will better the performance of his predecessor, Mr Giovanni Gambardella, in addressing Ilva's problems when most of Europe's steel makers are losing money.

Mr Gambardella is blamed for many of Ilva's woes. He initiated its L1,500bn acquisition drive, which expanded its activities from basic steel making into more value-added and specialised products, such as coated steels for consumer durables. The strategy, however, drove up debts. Group borrowings surged from L3,500bn in 1989 to L6,300bn at the end of 1991.

He is also accused of failing to control costs, although such attacks are harder to sustain in view of his success in closing 15 ex-Finsider plants, transferred to Ilva after 1988, and selling as many again. In the same period, the workforce was reduced by 30,000. The cut was "quite an achievement", in view of Italy's tough labour laws, admits one IRI executive.

But with earnings steadily deteriorating, the pace of cost-cutting was not quick enough, say Mr Gambardella's critics. Last November, IRI gave Ilva's former management a mid-1993 deadline to prepare a new restructuring plan. It is up to Mr Nakamura to finish the task.

Speaking in Tokyo this month, Mr Nakamura indicated he would follow two paths to return Ilva to profit within three years. First, he hinted at further job cuts, notably at Taranto, and implied he would not seek consensus with the group's unionised workers at any price.

Second, he hinted he wanted to change attitudes at the steel group. Ilva had some of the world's most modern plant – much of it built in collaboration with Nippon Steel – but suffered from weaknesses such as poor quality, bad marketing and unreliable delivery times. The three had fostered excessive wastage, inadequate attention to customers and lax financial controls. Improving such faults would require a greater sense of commitment from the workforce, he suggested.

Joining the group as a rank outsider may help Mr Nakamura take painful decisions on further redundancies and closures. "He has to do for Italian steel what Ian MacGregor [then chairman] did for British Steel about 10 years ago," says Mr Aylen, of Salford University. But failing a surprise upturn in demand, it is hard to see how much extra room for cost-cutting Mr Nakamura will have.

Mr Nakamura dismissed suggestions that his appointment marked a bridgehead for Nippon Steel to purchase a stake in Ilva or mount an outright takeover, although he left the door open for closer technological co-operation.

Above all, he echoed Mr Gambardella in stressing Ilva's need for fresh capital to reduce borrowings. Last year, Ilva's former bosses openly discussed gaining a stock market quotation – and access to fresh money – by buying out minority shareholders in its Dalmine tubes subsidiary and merging the two companies.

That may still be on the cards, although the move will depend on first transferring the bulk of Ilva's debts to a separate company to make it more attractive to investors. A similar manoeuvre took place on Ilva's birth, when Finsider was retained as an empty shell containing about two-thirds of the group's L9,000bn debts.

Just possibly, Mr Nakamura's arrival at Ilva could persuade outside investors that the company has the potential to be an interesting recovery stock. Contacts with foreign bankers had already taken place under the previous management. But before outsiders offer to help, the group will first have to show it is willing to tackle its problems fast and effectively.

# Europe's 'nervous system' out of kilter

PERSONAL VIEW

Telecommunications has become the nervous system of modern society; business and industry today are increasingly dependent on the instantaneous transmission of information in all forms. Social life and family life also rely heavily on the telephone; new technical developments will make these services even more important for Britain's industrial competitiveness and quality of life.

Many advanced economies of the world have recognised the need for efficient technical and service innovation in telecommunications. They see the need for an environment in which new ideas can be brought to market without interference from state bureaucracy, public financing policies or defensive monopoly thinking. But in most of Europe, similar progress has not been made.

The European Commission has made valiant efforts, culminating in its Telecommunications Services Directive in 1990, which set out to open up the market for all services, except public voice telephony. But competition, in practice, is still rare. No member state, except the UK and, to some degree, France, has effectively implemented the directive.

This is in stark contrast to the countries which have opted to expose telecommunications operators to competition and open up their markets to private sector investment. Britain, the US and Japan have led the way, followed by Australia, New Zealand and Sweden. The results have been startlingly successful. Services have proliferated; new market entrants have multiplied; customers have learned to provide services for themselves and sell them to others; prices have fallen while the market has grown. Quality has improved out of all recognition.

In Europe, meanwhile, current Community policy is still that public voice services (overwhelmingly the most important) and the ownership and running of network infrastructure are "reserved" for state-controlled national monopolies.

Ordinary customers, many ill-served by the local monopolies, have yet to grasp fully what they are missing. Member states have recognised the needs of Europe by calling, in the Maastricht treaty, for trans-European networks, transcending national boundaries and providing Europe with the needed seamless networks and services. But they are reluctant to face up to the implications – that private capital and private enterprise, competing right across the Community, are needed to achieve this end.

**The Commission should now legislate to open up the telecoms markets across the board**

Last autumn the European Commission issued a consultative document suggesting four possible ways forward: to do nothing; to regulate monopolies far more intensively at the European level, to force them to improve their performance; opening up of all markets; or, more modestly, opening up just cross-frontier networks and services.

Many still pray fervently for the first option. No one seriously advocates the second. The fourth is better than nothing, but it would have widely differing effects on the markets in member states according to their size and location and it presents formidable problems of definition and enforcement.

In fact, the Treaty of Rome has recognised, since 1958, the presumption that commercial activities should be carried on in a free and open market and the third course is the obvious way forward.

There is one possible objection: existing operators are required to provide universal service and incur substantial losses in doing so. Competitors would exploit the higher prices inevitably required in the unsubsidised part of the market. But experience in the UK and elsewhere shows that it is quite possible to deal with this by financial means. The subsidy should be reduced as far as possible by progressively aligning tariffs to costs. For any residual subsidy either government should foot the bill or, perhaps more realistically, new competitors should bear their fair share of the burden. This is clearly possible; indeed, it has been done (imperfectly, but quite successfully) both in the UK and in the other liberalised countries of the world.

In BT's view, the commission should legislate, now, to open up the markets across the board. The world is moving quickly and action to build on the new laws will be difficult and take time. Europe is falling behind in its "nervous system". Indeed, it may well already be too late.

**Iain Vallance**

*The author is chairman of BT*

# OBSERVER

## Stony road for gumshoe

■ Nyet a rouble. The Russian government has still had nothing back from its relationship with America's ace sleuth Jules Kroll, despite 12 months' work and a $1m down-payment.

But whose fault is it?

Kroll, hired by Moscow a year ago to hunt millions of dollars spirited out of the country by the Communist party and tax-shy trading outfits, has found the tracking task far stonier than his previous forays in recovering the ill-gotten gains of third world dictators.

He says he hasn't given up hope, blaming the lack of progress on his being denied any clear line of communication with the Russian authorities.

Moreover, public prosecutor Valentin Stepankov has said that, apart from his own office, his country has failed to provide the hitherto golden gumshoe with the feedback he required to continue his searches in the west.

On the other hand, complaints about the usefulness of Kroll's work so far have been voiced by Mikhail Gurtovoi, who lost his job as head of the anti-corruption commission with its disbanding last week by President Yeltsin.

The task has now been handed to the vice-president, Alexander Rutskoi, backed by continued probing by the president's own government inspectorate. Even so, Stepankov has been calling for the setting-up of a replacement commission.

The tangled web surely testifies that, here again, Russia's new authorities lack the political will and efficient management needed to crack a serious problem. Nor is solving it made any easier by lousy civil service pay and enduring state control over most assets.

## Stage floor

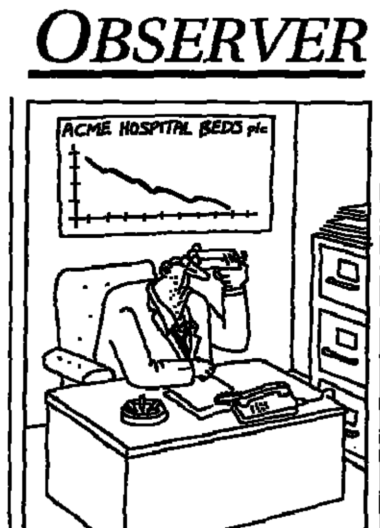
■ The dealing room at Smith New Court has always prided itself on being the slickest – and the most cut-throat – in the City, rarely giving an inch, let alone a pound of flesh.

So RSC director David Thacker, toying with the idea of setting the Barbican Theatre's planned production of The Merchant of Venice in modern dress in the City, deputed designer Sheelagh Keegan to check it out. Her task was to see if the Square Mile really is a good substitute for the Rialto.

Even though obviously enthralled as she photographed away with shouting dealers seething around her, she envisages difficulties in translating the characters to fit the present-day City.

One problem is how to treat Shylock's Jewishness, although she stresses that he is by no means an unsympathetic character. "This is a play about racism, not antisemitism." A further misgiving is that she sees him as "more of a banker than a dealer".

On the credit side, the shipowner Antonio could surely be converted into the man from Lloyd's. What's more, a lot of the ladies who cater for executive diners nowadays seem to be called Portia (even if they don't necessarily drive one – Ed.).




## Rankers ranked

■ As a riposte to newspapers' enthusiasm for publishing performance rankings of educational establishments, the UK's most pukkah public schools have turned the tables by producing a ranking of journalists who cover educational matters.

The counterblast, appearing in the schools' trade magazine Conference and Common Room, rates the press pundits on five criteria: accuracy, balance, educational attitudes, delivery and enlightened reporting.

Oddly enough, not all of those named appreciate the results. One, for example, rebutted the criteria as being too narrow, which, ironically, is a criticism schools often make of newspaper tables in which they fare poorly.

The Financial Times – which pioneered such rankings in 1970 with its annual table of university graduates' job-market performance – came in fifth.

## Kilduff was here

■ Anyone puzzling over the true significance of the juggler that forms part of Transport Development Group's corporate livery might be forgiven for concluding it had something to do with chief executive Alan Cole's profligacy with finance directors. He will soon be on his fourth in just over two years.

First an early retirement, then a promotion, and now a "mutually agreed" departure of Paul Kilduff who set foot in TDG only last August... Shareholders can be forgiven for wondering why Cole's finance directors are coming and going more frequently than the company's annual report and accounts.

Could it have anything to do with Cole's fancy Harvard Business School upbringing? "He does have a tendency to work everything down to a Venn diagram," was the assessment of one less than generous City analyst.

## Home to roost

■ A fresh challenge to animal trainers has just been thrown down by the Church of England's general synod – how to house-train bats.

Protected by the Wildlife and Countryside Act, they are also favoured by vicars who mostly like to have them in their rafters, if not belfries. Alas the welcome they've been given is now coming home to roost, with worshippers complaining of the fall-out.

The "unpleasant excretory consequences" are a growing problem, the synod was informed by Canon Michael Saward of St Paul's Cathedral.

## Cell out

■ New Zealand's officialdom has apparently written an unintended escape clause into new building safety rules. Police are seeking government advice after discovering that any prisoner they lock up must now be handed the cell key in case of fire.

FINANCIAL TIMES
Thursday February 18 1993



East Berlin baker Brigitta Strater: We can't keep asking for more and more

# Bakery has found little to toast

## Unemployment has hit the east Berlin corner shops, writes **Judy Dempsey**

BRIGITTA STRATER has seen better days. "Before the Wall fell, I was selling 450 white loaves and 600 mixed loaves a day. Now I am selling about 20 white and 90 mixed loaves. People aren't buying that much any more. It's not because my prices are too high. It's because of the unemployment."

Her small, brightly lit bakery is in Köpenick, once the pulse of east Berlin's industrial heartland. Before 1989, more than 25,000 men and women worked in the region's six biggest factories. Today, fewer than 5,000 have secure jobs.

In the space of half an hour, on a bitterly cold and snowy morning, all the customers who passed through her shop were unemployed, except for Heinz. "I have a job, over the road with BICC," he said, pointing across to the large 19th century cable factory which the British-based BICC bought earlier this year.

"I am lucky. The managers know what they are doing. They said they will make the plant competitive with other big German firms. There's some hope for me," he said.

Heinz, an electrical engineer, earns DM1,800 ($1,084) a month, low by western German standards, but high by eastern ones. He says he can get by.

"I know everyone is complaining about the price rises, especially for housing. You know we are losing all our subsidies. I now pay DM600 for my flat, a rise of DM250. And the flat hasn't even got hot water. But I think I would settle for jobs rather than a higher income at the moment."

His remarks provoked a lively discussion in the bakery. "Are you crazy?" shouted Andreas. "The unions said we could get the same wages as the wessies [the term used for west Germans]."

Andreas used to work in a small tool shop, close to the cable factory, but is now unemployed. "The shop closed down last year. No one would buy any of our stuff. The unions said we would get 26 per cent more this year. We need the money."

"And then what will happen?" said Heinz. "There will be even more unemployment. We have to make compromises, at least for a short time. We are talking about getting our country off the ground."

Frau Strater, dressed in her big, white baker's apron, said it was time for everyone to make compromises. "The old structures are dead. We have to start all over again."

She added that IG Metall, Germany's giant engineering union which is holding arbitration talks with the employers' association in the five east German states in order to secure a 26 per cent rise for its members, would have to settle for less. "The people want to work. Jobs will come here eventually. But we can't keep asking for more and more."

"I am not asking for more. I only want my job back," said Irmgard, a 26-year-old with a three-year-old daughter. After maternity leave, which was generous under the former communists in east Germany, Irmgard returned to the Berlin Plastikwerke, her employers, last March.

"They said my place was no longer guaranteed. I now have DM600 a month to live on. I am angry. I'm not looking for the higher wages. I am looking for work." Every day, Irmgard comes into the bakery and flicks through the Berliner Zeitung. "Something has to turn up," she said.

In a nearby smoke-filled pub, young men were downing litres of beer by eight o'clock in the morning. Henry, 23, a truck driver, kept criticising the unions. "They should get us more money," he said. His drinking colleagues said they didn't really care about the unions. "I'm telling you. We are finished if we lose our jobs," said Gerhard, 43, a driver for Coca-Cola.

Out in the streets, which three years ago were full of activity, Cornelia was hurrying to work - across the River Spree to west Berlin.

Until last year, Cornelia, 49, had worked as a nurse in an old people's home in east Berlin. "I could have stayed there. But the money is better in the west. I now earn DM3,000 a month. I consider myself lucky on one level. But also I got up and did something about my situation. We can't keep moaning. We can't keep demanding higher wages if we are not producing anything. Eventually, things will get better here, and in the rest of Germany. We have to make it work," she said.

Bundesbank rejects further rate cut, Page 2

## THE LEX COLUMN

# Budget shopping

Mr Norman Lamont continues to give every impression of succumbing to short-termism. When the last set of retail sales and unemployment figures turned out disappointing, his knee-jerk response was a full point cut in interest rates. Yesterday's improved retail sales figures for January prompted a quick assertion that there is now no room for more. Perhaps today's employment data will support that stance. But it will be awkward if next month sees another run of poor figures. Mr Lamont cannot easily change his mind again.

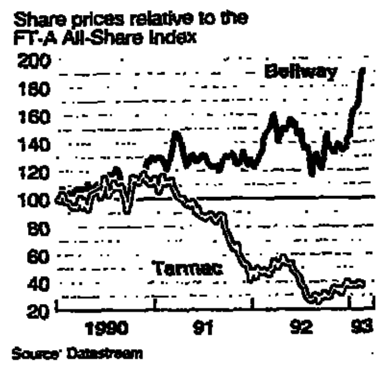
It is not as if business on the high street is booming. January's 1.6 per cent rise in retail sales after December's 1 per cent fall points to faulty seasonal adjustment. The underlying trend shows only modest growth. Sales in the three months to January rose only 0.2 per cent over the previous three months. The main advance came from department stores able to offer large discounts and from food stores. If last Friday's inflation figures are anything to go by, demand was not strong enough to allow the latter to raise their prices much despite the devaluation. The basic message remains the same: consumers are prepared to spend, but not on credit and only if there is a price incentive.

That should not tie the chancellor's hand. The real constraint is self-imposed. After a succession of warnings from the Bank of England, Mr Lamont has felt obliged to play along. But he may have deprived himself of the opportunity to announce a rate cut in the budget – unless he is also planning some painful fiscal tightening.

FT-SE Index: 2814.0 (+1.8)

**UK housebuilders**

Share prices relative to the FT-A All-Share Index




Source: Datastream

### UK accounting

If the Accounting Standards Board gets its way, that large portion of UK companies currently floating off-balance sheet will soon come back into view. Its latest proposals are admirably clear: companies should show assets and liabilities on the face of the balance sheet if they enjoy economic benefits or face risks. In theory, the market should then be able to assess the real rate of return on assets and the true extent of gearing. Whether the ASB has done enough to frustrate the financial engineers remains an open question.

The tighter definition of a subsidiary introduced by the 1989 Companies Act has already put a stop to the more obvious abuses of off-balance sheet finance. Yet complex sale and repurchase agreements using options are all too common, notably in the leisure and property sectors. The ASB insists such assets should be shown in the main accounts if the option to repurchase is likely to be exercised. That will be open to interpretation. One can only hope the combination of plain language and explicit examples will be enough to hold the line.

The ASB deserves credit, though, for backing away from rules which would have stopped banks taking assets off-balance sheet by securitising through the capital markets. That would have placed the UK financial sector at a competitive disadvantage. Yesterday's draft marks a common-sense compromise: banks will have to show all assets on the face of the balance sheet, but can include a figure net of securitisation alongside. Purists might complain at this proliferation of categories. But a treatment which accurately reflects the transfer of risk and the retention of reward is the kind of innovation the market should welcome.

### Oil prices

It seems that Opec's feet were not sufficiently close to the fire when the cartel met in Vienna last weekend. The rebound in the oil price since Christmas reduced pressure on producers to announce convincing cuts. Four days of discussion to patch up an agreement will hardly persuade the market that the cartel really intends to make cuts. Indeed, with Saudi Arabia's production 45 per cent higher than before the Gulf War, its apparent reluctance to trim gives a poor lead.

Perhaps most Opec members are maintaining their market share against the day that Iraq is re-admitted to the world market. But unless attitudes change and quotas are more strictly enforced, crude prices are likely to languish. That gives little support to the big oil companies who have also seen their refining and marketing operations squeezed by the world recession.

With revenues under pressure, US companies have switched to cost cutting as a way of boosting earnings, and the habit is spreading. It will be interesting to see how much of those savings the oil majors can hang on to, and how much leaks away in competitive market pressures. Given the overcapacity in refining and chemicals, the omens are not good. Highly geared companies are thus exposed. They may have better recovery prospects once growth resumes, but with Europe and Japan in recession and the US recovery hesitant, the likes of BP face an endless climb without fresh equity.

### Bellway

The recent flurry of evidence hinting at a housing market recovery is rapidly developing into a storm. Yesterday, Bellway echoed the experience of other housebuilders by revealing a 50 per cent increase in reservations since the start of the year. Low interest rates and cheap and steady house prices finally appear to have stimulated the market, particularly for first-time buyers.

Doubts must remain about whether the upturn in activity can be sustained. Unemployment is still growing and negative equity constrains demand. While Bellway was happy enough to call the turn, its cautious management was only prepared to back its hunch with other people's money. Its £23.6m cash call certainly looks cheeky. With cash of around £13m in the bank from its last rights issue, Bellway could easily have geared up with bank borrowings.

Nevertheless, such opportunism highlights the relative strength of nimble second tier housebuilders. Bigger competitors, such as Tarmac, are too financially constrained to fund much expansion. Investors, who have bid up the construction sector by 20 per cent in the past three months, may worry about increasing their exposure by backing the string of rights issues which will doubtless follow. Or they may see plenty more room for recovery. The 80-odd construction stocks still have a combined market value of less than £4bn. That is about the same as Argyll or National Power.

# The bank where gold ingots grow by 8 per cent a year

## **Victor Mallet** on a gold account that really glitters

LIKE MUCH conventional wisdom, the belief that gold never earns interest is wrong. You can earn as much as 8 per cent annually by adding 80 grammes to each 1kg bar every year; but to achieve this, you have to take the gold to Phnom Penh and deposit it in a small Cambodian bank called Canadia Gold and Trust Corporation.

Asked how he can pay 8 per cent interest on gold deposits, Mr Pung Kheav Se, the general manager, gives a banker's answer: he lends out the gold at 18 per cent. "Gold," he says, "is accepted by everybody."

The unusually high status of gold as a medium of exchange in Cambodia is the result of more than two decades of war and financial chaos.

Cambodians know that the riel, the local currency, has a tendency to plummet in value, and they remember that the guerrillas of the Khmer Rouge, who seized power in 1975, abolished money during their reign of terror.

Mr Pung, a Cambodian of Chinese ethnic origin, was a businessman in Phnom Penh when the Khmer Rouge took over and force-marched the inhabitants of the capital into the countryside. After three years of working in the rice paddies and hiding his bourgeois origins, he took refuge in Thailand, eventually emigrating to Canada (hence the bank's name).

Canadia Gold and Trust, a joint venture in which Mr Pung's family holds a 70 per cent stake and the central bank the remaining 30 per cent, was established in 1991.

Mr Pung imports 25kg boxes of gold from Swiss Bank Corporation in Hong Kong, puts it through a mill and, with the authority of the central bank, issues gold bars in the traditional Cambodian weights.

Jewellers in Phnom Penh's busy central market display the bars alongside the watches and gold necklaces worn as a form of security by a people unable to shake off the fear that they may one day have to flee at a moment's notice.

> **'Cambodian property owners don't worry about the US dollar. They compare gold and riels . . .'**

Gold, its price in dollars and in fast-devaluing riels set daily by a group of ethnic Chinese traders, is routinely used for the purchase of property in Cambodia and for transactions involving local products such as tobacco or beans, although it has lost out to the US dollar as a means of paying for imports.

"Cambodian property owners don't worry about the US dollar," says Mr Pung. "They compare gold and riels... so they always think they are making money."

Mr Pung says Canadia has issued $80m-worth of gold since December 1991 (there was a surge in demand at the peak of the property boom last year), but the actual amount that has come into Cambodia is much greater. Hundreds of kilogrammes are flown in tax-free every month and smuggled into neighbouring Thailand and Vietnam to avoid import duties in those countries.

Inside Cambodia, soldiers serving with the United Nations peacekeeping forces, particularly from the Indian subcontinent where there are curbs on gold imports, are just as eager as the Cambodians to buy gold. Some of them have it made up into chunky bracelets so they can take it home unhindered.

The overall effect of the UN presence, however, has been to undermine the gold market by flooding Phnom Penh with cash dollars; dollars are more liquid and more convenient to carry than gold, even if they are easier to counterfeit.

When Mr Pung opened Canadia in 1991, half his business was in gold and half in dollars. Now dollars account for about 75 per cent of turnover, gold for 22 per cent and riels for 3 per cent. (Canadia pays a remarkably high 8.5 per cent interest on dollar deposits, lending dollars at a much higher rate to local property developers).

But Cambodia's chronic instability, and the departure of most of the 22,000 UN soldiers and civilians after elections in May, may secure a place for gold in the country's domestic business dealings.

"The gold market will continue in the future unless the government issues a law not to allow the circulation of gold," says Mr Pung. "I don't think they will do that."

# Heseltine to visit Brussels

Continued from Page 1

coal beyond 1995, Mr Van Miert has said he will press for a reduction in the level of indirect aid granted to the British nuclear industry. That could present problems for the government, which wants to change current plans for the nuclear industry as little as possible.

British and Commission officials in Brussels said yesterday that a firm date had not been fixed for Mr Heseltine's visit. Much will depend on whether he wants to consult the Commission before or after presenting his draft plan to the UK cabinet. Mr Van Miert and Mr Abel Matutes, EC energy commissioner, are jointly responsible for approving the British plan. Mr Matutes is anxious to avoid penalising the EC's most efficient pits by hampering rescue efforts.

The Commission competition authorities are also believed to have considered reviving anti-trust probes into medium-term contracts in the UK electricity industry as a means of putting pressure on the British government over subsidies. British officials dismissed such threats this week, saying that the liberal thrust of UK energy policy was in line with Commission thinking. "Everything [the Commission] has said to us suggests there will be no problem [with the Heseltine plan]," said one.

Commission energy officials argue that Brussels could not formally block a five-year state aid plan for the British coal industry, because UK pits would qualify for subsidies under current EC rules.

● A high court judge is expected to rule today on union claims that British Coal is failing to comply with a previous ruling on consultation over 10 pits earmarked for early closure.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Boulogne | Dr | 9 | 48 | Frankfurt | C | 3 | 37 | Majorca | F | 14 | 57 | Oporto | S | 14 | 67 | Tenerife | S | 19 | 66 |
| | | | | Brussels | R | 7 | 45 | Geneva | F | 4 | 39 | Malaga | S | 15 | 59 | Oslo | S | 4 | 39 | Tokyo | S | 12 | 54 |
| | | | | Budapest | F | -2 | 28 | Gibraltar | F | 14 | 57 | Malta | F | 12 | 54 | Paris | R | 8 | 46 | Toronto † | F | -9 | 16 |
| Ajaccio | S | 12 | 54 | Buenos Aires | F | 32 | 89 | Glasgow | F | 10 | 50 | Manila | F | 30 | 82 | Prague | C | 1 | 34 | Tunis | C | 10 | 50 |
| Algiers | R | 9 | 48 | Cairo | S | 19 | 66 | Helsinki | S | -2 | 28 | Melbourne | S | 21 | 70 | Reykjavik | C | 5 | 41 | Valencia | F | 14 | 57 |
| Amsterdam | C | 8 | 46 | Cape Town | S | 26 | 79 | Hong Kong | S | 22 | 72 | Mexico City | F | 27 | 80 | Rhodes | C | 12 | 54 | Venice | S | 3 | 37 |
| Athens | C | 5 | 41 | Caracas | | - | - | Innsbruck | Sn | 0 | 32 | Miami † | S | 18 | 64 | Rio de Janeiro | F | 35 | 95 | Vienna | Sn | -2 | 28 |
| Bahrain | S | 16 | 61 | Casablanca † | S | 17 | 63 | Inverness | F | 10 | 50 | Milan | F | 4 | 39 | Rome | S | 10 | 50 | Warsaw | Sn | -1 | 30 |
| Bangkok | F | 32 | 90 | Chicago † | S | -13 | 9 | Islamabad | C | 18 | 66 | Montreal † | Sn | -5 | 23 | Salzburg | Sn | -1 | 30 | Washington † | S | 2 | 36 |
| Barcelona | F | 12 | 54 | Cologne | R | 7 | 45 | Istanbul | F | 2 | 36 | Moscow | C | -7 | 19 | S'Francisco † | C | 9 | 48 | Zurich | Sn | 0 | 32 |
| Beijing | F | 3 | 37 | Copenhagen | F | 6 | 43 | Jakarta | R | 31 | 88 | Munich | Sn | 0 | 32 | Seoul | C | 7 | 45 | | | | |
| Beirut | S | 14 | 57 | Corfu | S | 10 | 50 | Johannesburg | R | 16 | 61 | Nairobi | | - | - | Singapore | F | 31 | 88 | | | | |
| Belfast | C | 8 | 46 | Dallas † | F | -2 | 28 | Lisbon | S | 12 | 54 | Naples | S | 9 | 48 | Stockholm | S | 1 | 34 | | | | |
| Belgrade | S | 0 | 32 | Dublin | C | 9 | 48 | London | Dr | 10 | 50 | Nassau | C | 26 | 78 | Strasbourg | Dr | 1 | 34 | | | | |
| Berlin | C | 7 | 45 | Dubrovnik | S | 11 | 52 | Los Angeles † | C | 11 | 52 | New Delhi | | - | - | Sydney | T | 19 | 66 | | | | |
| Biarritz | F | 10 | 50 | Edinburgh | S | 12 | 54 | Luxembourg | C | 3 | 37 | New York † | F | 2 | 36 | Taipei | F | 25 | 77 | | | | |
| Bombay | S | 29 | 84 | Faro | S | 15 | 59 | Madeira | C | 17 | 63 | Nice | F | 12 | 54 | Tangier | S | 16 | 61 | | | | |
| Bordeaux | S | 9 | 48 | Florence | S | 8 | 46 | Madrid | S | 12 | 54 | Nicosia | S | 15 | 59 | Tel Aviv | C | 17 | 63 | | | | |

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
# COMPANIES & MARKETS
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Thursday February 18 1993



## INSIDE

### Degussa up 14% after cutbacks

Rigorous cost-cutting and heavy demand for dental work ahead of reforms to the German health system helped Degussa, the German metals, chemicals and drugs group, lift first-quarter profits by 14 per cent. Pre-tax earnings jumped to DM49m ($30m) in the three months to the end of December, compared with the "weak" DM43m last time. Page 20

### Fragile accord for Opec

The fragility of the agreement by the Organisation of Petroleum Exporting Countries to cut second-quarter output was signalled clearly by Mr Ali al-Baghli, Kuwait oil minister. Kuwait had agreed with enormous reluctance to cut production to 1.6m barrels per day for the second quarter. Any cheating elsewhere meant Kuwait would immediately pump to what it claims will be 2.1m b/d capacity. Page 26

### RTZ shares slip after warning

Shares in RTZ, the world's biggest mining company, fell after it revealed its 1992 results would include charges of £52m ($73.8m). Low prices were forcing RTZ to curtail operations at its 54 per cent-owned Greens Creek mine in Alaska, the biggest silver producer in the US. Page 24; Market, Page 27

### Orders boost Hewlett-Packard

Hewlett-Packard, the US computer and electronics manufacturer, saw higher than expected earnings in the first quarter – the first since Mr Lewis Platt succeeded Mr John Young as president and chief executive. Earnings were $261m ($30m loss). Page 21

### Canon rides on peripherals

Strength in computer peripherals helped Canon, the office equipment and camera manufacturer, achieve a 1.3 per cent pre-tax increase to Y77.13bn ($637m) as turnover slipped. Canon expects a modest improvement in sales and profits this year on the back of a second-half recovery. Page 22

### Latin America wins and loses

Several emerging markets saw strong performances. In Latin America, Chile led the way, far outperforming the region in dollar terms. However, Latin America also saw the worst performer in January as Venezuela fell more than 18 per cent in dollar terms. Back Page

### Market Statistics



### Companies in this issue



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | |
|---|---|---|
| **Rises** | | |
| Allianz | 551 | + 10 |
| Hochtief | 1135 | + 18 |
| Lahmeyer | 676 | + 18.5 |
| Porsche | 475 | + 15 |
| **Falls** | | |
| Asko | 590 | − 15 |
| Schering | 727 | − 9.5 |

**NEW YORK ($)**

| | | |
|---|---|---|
| **Rises** | | |
| Alcoa | 73¼ | + 1½ |
| Hewlett-Packard | 70 | + 2⅜ |
| Motorola | 53⅝ | + 1 |
| **Falls** | | |
| Amgen | 48 | − 1⅞ |
| Bristol-Myers | 56⅛ | − ½ |
| US Healthcare | 44½ | − 1½ |

**PARIS (FFr)**

| | | |
|---|---|---|
| **Rises** | | |
| Bancaire Cie | 476.9 | + 23 |
| CarnaudMetalbox | 206 | + 8.9 |
| Eridania B-Say | 644 | + 24 |
| UAP | 544 | + 15 |
| UFB Locabail | 259.7 | + 14.7 |
| **Falls** | | |
| Imetal | 300 | − 13 |

**TOKYO (Yen)**

| | | |
|---|---|---|
| **Rises** | | |
| Daikyo | 884 | + 29 |
| Mitsukoshi | 740 | + 18 |
| Nagase | 874 | + 21 |
| **Falls** | | |
| Daio Paper | 852 | − 48 |
| Hitachi | 678 | − 7 |
| Toyo Wharf | 381 | − 24 |

New York prices at 12.30pm.

**LONDON (Pence)**

| | | |
|---|---|---|
| **Rises** | | |
| Abbey Natl | 365 | + 14 |
| Assoc Br Ports | 365 | + 13 |
| Baldwin | 99 | + 6 |
| Brown Shipley | 35 | + 2 |
| Capital Inds | 195 | + 22 |
| CarnaudMtlbox | 2563 | + 100 |
| Canton Cards | 133 | + 7 |
| Dart Group | 74 | + 8 |
| Dankus Neal | 23 | + 3 |
| Elect Data | 522 | + 22 |
| Graseby | 166 | + 6 |
| Gresham Tele | 76½ | + 8½ |
| Hadleigh Inds | 82 | + 10 |
| Hopkinsons | 38 | + 5 |
| Lynx Hldgs | 29 | + 5 |
| P & P | 54 | + 6 |
| Pittencrieff | 378 | + 27 |
| Regalian Prp | 15 | + 1¾ |
| Sinclair Gtd | 28 | + 4 |
| **Falls** | | |
| Drummond | 24 | − 3 |
| Hay (Norman) | 46 | − 5 |
| Maybom | 184 | − 7 |
| Smiths Inds | 349 | − 15 |

# Rhône-Poulenc foresees full privatisation

By Paul Abrahams in Paris

RHÔNE-POULENC, the chemical group in which the French government holds a 43 per cent stake, yesterday raised the possibility that it would be fully privatised soon after the elections in March when the Socialist government is expected to be defeated.

Mr Jean-Pierre Tirouflet, finance director, said that if, as he expected, the new government sold its entire stake, the privatisation would be worth between FFr12bn and FFr15bn ($2.6bn). He also raised the possibility of a simultaneous rights issue to reduce the group's debts, currently FFr33.7bn.

Announcing Rhône-Poulenc's full-year results, Mr Jean René Fourtou, group chairman, warned that the state of the European economy was worse than during the 1973 oil shock and would show no signs of improvement until next year at the earliest.

Operating income rose 8.1 per cent to FFr6.7bn but sales dropped 2.5 per cent to FFr81.7bn, with all divisions apart from health registering falls. Mr Fourtou predicted the group's profitability would increase over the next three years.

Net debt to equity, which Rhône-Poulenc had predicted last year would fall to 70 per cent, rose to about 80 per cent, or FFr33.7bn. The group benefited from a fall in net interest payments from FFr3.4bn to FFr3.2bn.

Operating profits from health activities increased 16 per cent to FFr5bn. Turnover rose only 4.2 per cent to FFr30.5bn, because of disposals and adverse exchange rates. The agrochemicals division saw operating profits fall from FFr1.2bn to FFr900m. In volume terms, sales fell 8 per cent following farmers' concerns about reforms of the EC's common agricultural policy. Mr Fourtou said the reforms could cut the size of the European agrochemical market by up to 30 per cent.

The speciality chemicals division reported operating profits up from FFr100m to FFr600m on turnover of FFr14.4bn (FFr14.8bn). The organic and inorganic intermediates division saw a 5 per cent fall in prices and operating profits fell from FFr800m to FFr500m. Operating profits at the fibres and polymers division fell from FFr700m to FFr500m.

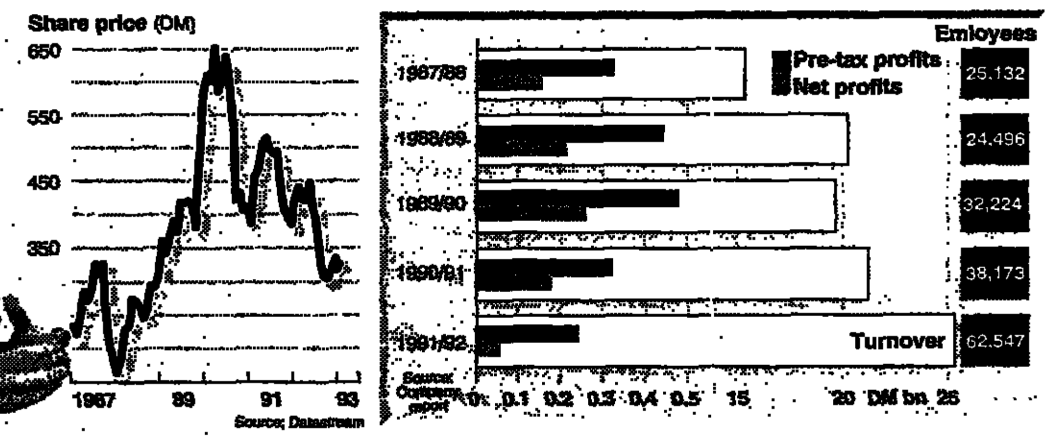
Net earnings per ordinary share rose 24.7 per cent to FFr25.6. The group is paying a dividend of FFr18 (FFr15.75).

Metallgesellschaft is selling assets and providing environmental services, writes **David Waller**

# Clean break from acquisition strategy

**Metallgesellschaft's turnover rises but profits fall**

Heinz Schimmelbusch: chief executive




MR Heinz Schimmelbusch, chief executive of the Metallgesellschaft mining and industrial group, has pursued one of the most aggressive acquisition trails of any German company in the four years he has been chief executive. But now, in a turnround of this strategy, the company is about to embark on a large-scale programme of asset sales.

As Mr Schimmelbusch announced last week, the plan is to sell non-core businesses to raise nearly DM1bn ($600m) by the end of the next financial year. He is not saying which companies are for sale but he has been through the group's 258 subsidiaries and a list of potential targets has been prepared.

This strategic reorientation – combined with a 40 per cent cut in capital spending this year – follows two difficult years for the company. In the year to end-September 1992 pre-tax profits fell 23 per cent to DM245m, in spite of a 20 per cent rise in turnover to DM25.6bn reflecting acquisitions. In the previous year, profits had dropped 35 per cent from DM483m in 1990.

The combination of the poor figures and the switch in strategy raise fundamental questions about what Mr Schimmelbusch – a 48-year old Austrian who worked for a Wall Street investment bank before he joined Metallgesellschaft more than 20 years ago – has achieved during his time as chief executive.

"We diversified because we were about to lose our shirt, our last shirt," says Mr Schimmelbusch. "We had to get out! Five years ago, we decided that it was essential to reduce our dependency on low-value added cyclical commodities like zinc and copper and base our future on the commercialisation of the technology we had developed to clean up our own metals business."

Over the five years, the group has spent at least DM1bn on smaller acquisitions. In addition, Metallgesellschaft completed one of Germany's largest corporate transactions at the beginning of last year with the DM1.45bn acquisition of the non-paper divisions of Feldmühle Nobel from Stora of Sweden. These include Buderus (heating equipment, building materials and stainless steel goods) and the Dynamit Nobel explosives and plastics company.

The net result of the strategy is that via 88 subsidiaries in the sector, Metallgesellschaft has annual turnover of DM4bn in environmental services such as recycling, pollution control and decontamination. This, Mr Schimmelbusch boasts, makes Metallgesellschaft the biggest environmental services group in Europe.

"There is an endless market in eastern Europe," he says, confident that the move into environmental services was correct. He points to 12 de-sulphurisation plants commissioned last year – one in Ukraine, two in Russia, three in Czechoslovakia and six in Poland – which brought DM500m of revenue.

Environmental services may indeed be the market of the future, but for now profits from this area are not large. In fact, if the purpose of the diversification was to reduce the group's dependence on the cyclical base metals markets, it has not succeeded. Along came the next slump, and the group's profits tumbled as if there had been no diversification programme.

"We would have sailed through the downturn quite happily", says Mr Schimmelbusch, "had the former Soviet Union not broken apart. When we were at the very height of our diversification programme we were hit by a massive flood of imported metals from the former Soviet Union."

He says that average non-ferrous metal prices have dropped by $200 a tonne over the past two years. "When you're producing 1.2m tonnes a year, this leads to a substantial amount of lost earnings," he says.

Even without the influx of cheap metals from the east, there would have been problems. "The corporate hospital is always full," Mr Schimmelbusch says. The sickest patient in this hospital is Kolbenschmidt, Metallgesellschaft's car components subsidiary. Exposed to the full brunt of the downturn in the world car industry, Kolbenschmidt lost DM88.6m last year before tax. "We would have been able to compensate for this, for everything, if it had not been for the imports from the east," Mr Schimmelbusch argues. But he concedes that one big problem is of the company's own making.

Mr Schimmelbusch says he and his board were aware of the irony of a base metal producer – one of the world's dirtiest industries – setting itself up as a provider of environmental services. It was important to bring the group's smelters up the highest possible standards of cleanliness. Now, the smelters look like "pharmaceutical factories, with people walking around in white coats".

This cost in excess of DM1bn over the past five years, money which Mr Schimmelbusch now admits was spent too hastily and in too large quantities. Customers have not appreciated the fact that their zinc or lead was produced in a more environmentally friendly way than a cheaper, dirtier version. Earlier this month, Metallgesellschaft said it would be closing its Ruhr-Zinc smelter for two months from the middle of April.

The time will come when all producers in Europe will have to meet the high standards set by Metallgesellschaft, Mr Schimmelbusch believes. But in the meantime the group has to concentrate on making itself more profitable and winnowing down its existing portfolio of businesses.

In the UK or the US, such a consolidation phase would often be seized upon as an opportunity to launch a hostile bid – especially as the stock market value of Metallgesellschaft's holding in other quoted companies exceeds its own market value of DM2.9bn. "Some cold capitalist with no heart for the environment would make a bid and sell off the holdings," jokes Mr Schimmelbusch.

He is free from such pressures as 70-75 per cent of the company's shares are in the hands of safe, long-term shareholders such as Deutsche Bank, Allianz and Dresdner Bank. They, Mr Schimmelbusch says, are prepared to be patient. Anything but patient, Mr Schimmelbusch jumps up and brings the interview to a close with a half-joke: "I have to go now and sell some companies to improve the group's profitability."

# Audi to cut production but extend brands

By Christopher Parkes in Frankfurt

AUDI, the luxury car division of Volkswagen, is pressing ahead with its ambitious development plans in spite of a sharp reversal of fortunes this year.

According to Mr Franz-Josef Kortüm, 42, the company's new chairman, production will fall in 1993 by between 10 and 15 per cent because of falling domestic demand and the effects of the rise of the D-Mark on export sales.

The slump follows the sudden end of the boom last year, when Audi made 492,000 cars – 9.3 per cent more than in 1991 – and "a good, positive operating profit", Mr Kortüm said. Full details would be announced in April, although he admitted profits-to-sales ratios had suffered.

Even so, projects for new models to extend the brand's appeal at both the top and lower ends of the market remain on schedule. A flagship V8-powered car with aluminium bodywork will be launched next spring, to be followed later in the decade by a new version of the Audi 50 at the bottom of the range.

The next main decision, which will be made this year, is whether to start manufacturing in the US. The choice of sites is believed to have been narrowed down to Indiana or Kentucky. However, it is still possible that the hard-pressed parent company may choose the cheaper alternative of extending its existing VW works in Mexico.

Mr Kortüm, successor at Audi to Mr Ferdinand Piëch who last month took charge at the parent group, is keen to rebuild Audi's reputation and position in the US market after years of decline. In Mr Kortüm's view, a North American plant is important both to guarantee a place in the North American Free Trade Area (Nafta) and to ensure competitiveness with other Nafta-based manufacturers.

Audi sales in the US have started to recover after falling from 75,000 in 1985 to around 12,000 in 1991. Following last year's increase to 14,800, there had recently been a "decisive upwards trend" of 30 per cent monthly growth, according to Mr Kortüm.

Sales promotions, including discounts and special service deals, have also helped, but they have been made expensive by the recent depreciation of the dollar against the D-Mark.

# Péchiney predicts 'mediocre' profits of around FFr200m

By Alice Rawsthorn in Paris

PECHINEY, the state-controlled French aluminium group which this week emerged as a potential investor in CarnaudMetalBox, the packaging company, saw net profits fall to around FFr200m ($35m) last year from FFr820m in 1991.

Mr Jean Gandois, chairman, who earlier this week said Péchiney might be interested in buying the 25.3 per cent stake in CarnaudMetalBox owned by MB-Caradon, the UK building products group, described his group's performance as "mediocre" in an interview reported in Les Echos, the financial newspaper, yesterday.

However, he said that Péchiney International, the packaging company in which Péchiney has a 67 per cent stake, achieved healthy net profits growth from FFr642m in 1991 to around FFr2bn in 1992 because of net exceptional gains of FFr1bn.

The warning of the fall in Péchiney's profits comes at a time when it, like other French state-controlled companies, is positioning itself as a candidate for privatisation after next month's parliamentary elections.

France's conservative coalition, which has a clear lead over the socialists in the opinion polls, last week announced sweeping privatisation plans. Mr Gandois said that Péchiney "should be privatised" but not until its performance had improved and "the price of aluminium is a bit higher".

Péchiney saw sales fall to FFr35.38bn in 1992 from FFr37.37bn in 1991 (this figure has been restated to allow for the sale of the group's nuclear interests in July). It broke even at the operating level in both the first and second half of 1992 and made restructuring provisions of FFr782m.

Péchiney International was forced to set aside FFr600m in restructuring provisions, but still managed to achieve overall exceptional gains of FFr1bn because of the proceeds from asset sales.

Mr Gandois said that Péchiney might consider increasing Péchiney International's capital to expand the business. He said that the parent company would be willing to reduce its holding in Péchiney International, but only to 50.5 per cent, as it intended to retain control.

# Nasdaq to list Russian venture

By Richard Waters in London

ONE OF the few eastern European ventures listed on a western stock market will make its debut today on Nasdaq, the US over-the-counter market, and will shortly also be traded on London's Seaq International share market.

Petersburg Long Distance, which owns part of an international telephone system in St Petersburg, is thought to be the only publicly traded stock which gives equity investors a straight exposure to the Russian economy.

The listings on Nasdaq and Seaq International follow a move by one of the original investors to place its 29 per cent stake in the venture through Smith New Court, the London-based securities house, for $24m.

The company's main asset is a 50 per cent holding in PeterStar, a joint venture company partly owned by the St Petersburg city authorities. PeterStar, formed last year, is in the process of setting up an international telephone service aimed mainly at other western joint ventures and tourists in the area. It will charge customers in US dollars.

The company's system is already connected to St Petersburg's Grand Hotel Europe, and is expected to be linked to two other hotels in the next two months. It is only the second international telephone exchange in the former Soviet Union, after Moscow's 10,000-line exchange.

PeterStar chairman Mr Gordon Owen, a former group managing director of Cable and Wireless, said the project involved few technical or financial risks, and that the main risks for investors were likely to be political ones.

Shares in Petersburg Long Distance, which are already quoted on the Toronto stock market, have proved volatile in recent months. Since the venture was set up a year ago they have risen from a low of C$5 each to a high of C$12. Earlier this week, they were trading at C$9¾, valuing the company – which expects to come into profit this year – at nearly C$75m (US$60m). The shares are held mainly by specialist funds which invest either in emerging markets or the telecommunications sector.

The venture joins a small group of Hungarian companies listed in Vienna, and just three listed funds investing in the region, as the only vehicles available to western stock market investors looking to put money into eastern Europe.

# Degussa up 14% on strong demand

By Christopher Parkes in Frankfurt

RIGOROUS cost-cutting and heavy demand for dental work ahead of reforms to the German health system helped Degussa, the German metals, chemicals and drugs group, to increase profits by 14 per cent *in its first quarter*.

Pre-tax earnings jumped to DM49m ($30m) in the three months to the end of December, compared with the "weak" DM43m last time, the company said in a letter to shareholders yesterday.

Group sales, up 9 per cent at DM3.3bn, were bolstered by a 37 per cent increase from the fast-growing pharmaceuticals division, which increased turnover from DM384m to DM527m.

Even excluding sales from the newly-consolidated Arzneimittelwerk Dresden and the recently-purchased Sankin Industry, a leading Japanese dental supplier, turnover in this division rose 10 per cent.

The domestic dental business *profited from* extra demand created by impending health service reforms which will oblige patients to pay more for treatment.

However, the reforms will have a negative effect on sales and profits from the pharmaceuticals business, which has grown rapidly to account around a fifth of total group turnover.

The core metals sector saw sales rise 9 per cent to DM1.66bn, including a 20 per cent increase to DM913m in turnover from precious metals, but "as in the previous year, there was a substantial loss", the letter said. Precious metals, meanwhile, shewed improved earnings.

*Sales from the chemicals* division stagnated at DM1bn, although earnings improved.

Analysts said the figures suggested that Degussa's early start on rationalisation was producing fruit, and that its relatively modest dependence on the fading German economy – less than 40 per cent of sales – was also helping. The management has split the group into three clear divisions, decentralised decision-making, and thinned down the bureaucracy.

After adjustments for acquisitions, the payroll was cut by 2,000 in the last full financial year and a further 530 jobs went in the quarter under review. As a result, group *labour costs rose just* 3 per cent in the three months to January. Payroll costs at the German-based parent, meanwhile, fell 2 per cent.

Although the company made no firm forecasts for the rest of the year, it said there were no signs of recovery in the world economy, and added that further weakening was expected in the domestic market.

# Skopbank narrows losses to FM3.61bn

By Christopher Brown-Humes in Stockholm

*LOSSES at Finland's Skopbank* narrowed to FM3.61bn ($609m) in 1992 from FM4.90bn the previous year, despite higher credit losses and non-performing loans.

The bank, majority owned by the government guarantee fund, said it expected another big loss this year and it warned it would probably need a further FM1.5bn in capital support this year, in addition to the FM5.5bn already received.

Its announcement came as two other Finnish banks, Postipankki and Okobank, saw their 1992 performance deteriorate, although the latter still managed to outperform most in the sector by making a profit. Losses deepened at Postipankki to FM700m from FM135m, while profits shrank at Okobank from FM274.8m to FM83.8m.

All three banks were hit by the deep Finnish recession, high bankruptcy levels and rising unemployment. They also suffered from heavy write-offs on loans to the former Soviet Union.

Skopbank achieved a better result, thanks only to a sharp drop in extraordinary losses, with its 1992 operating loss at FM3.46bn, actually 14 per cent higher than in 1991.

Credit losses rose 10 per cent to FM2.78bn from FM2.55bn, with 58.5 per cent of the write-offs stemming from operations in Finland. Income from financial operations amounted to just FM219m, reflecting the burden of non-performing loans which at the year-end totalled FM5bn.

Mr Kaarlo Jännäri, Skopbank's chief general manager, said its restructuring programme, which cut operating expenses by 24 per cent to FM2.1bn, could not make up for the impact of the high level of write-offs and erosion of net interest income. At December 31 1992, the bank's capital adequacy ratio stood at 8.2 per cent, just above the international minimum of 8 per cent.

# Extra capital for French state-controlled groups

By Alice Rawsthorn in Paris

THE FRENCH government is providing extra capital to two state-controlled companies by *offering FFr1.5bn ($271m) in* equity-linked debt to Air France and a short-term FFr2.5bn loan to Groupe Bull, the computer company.

The injections come little more than a month before the parliamentary elections. The ruling socialists are expected to be defeated by the centre-right coalition, which has made privatisation a central theme in its campaign.

Air France is to receive its FFr1.5bn of equity-linked debt from Caisse des Dépôts et Consignations (CDC), the state-*controlled financial institution* that already owns 0.5 per cent of the carrier.

CDC is providing a FFr750m subordinated perpetual loan with share warrants attached and FFr750m of bonds repayable in shares.

The loss-making airline needs the money for the purchase of 17 aircraft.

Groupe Bull, which is struggling back to profit after three years of losses, is to receive a three-month loan of FFr2.5bn.

The government is directly *providing* 72 per cent with France Telecom, the state-controlled telecommunications company, contributing the rest.

The two companies are receiving state support at a time when the government's relationship with public sector companies is under the spotlight.

# CDC profits fall due to provisions

By Alice Rawsthorn

CAISSE des Dépôts et Consignations (CDC), one of France's largest state-controlled financial institutions, saw net profits fall by almost 40 per cent to FFr2.1bn ($380m) last year from FFr3.5bn in 1991 after making sizeable provisions on its property and equity investments.

Mr Philippe Lagayette, the former deputy director of the Bank of France who last year replaced Mr Robert Lion as *CDC's chairman, said he hoped* to see a return to profits growth this year.

CDC said it was extending its investments by providing FFr1.5bn in equity-linked debt to Air France, the state-controlled airline. CDC already has a small stake in the carrier through CDC Participations, one of its subsidiaries.

Mr Lagayette said CDC's banking activities and other financial operations had fared well during 1992, with gross profits (before provisions) ris*ing 18 per cent to FFr6.4bn.*

However, CDC, like other French financial groups, was affected by the impact of the economic slowdown on its industrial investments and property holdings. It also suffered from the poor performance of its cable television interests, which lost FFr540m during the year.

These problems fuelled a steep increase in overall provisions, which reduced gross profits to FFr3.3bn, against FFr4.85bn in 1991.

# EMAP and Thomson in $29.2m deal

By Richard Gourlay in London

THOMSON Corporation, the Canadian-controlled travel and publishing group, has sold 14 business magazines, three directories and related exhibition interests for £20.65m ($29.25m) to EMAP, the UK publishing group.

The sale comes a day after Thomson in Canada said it would be slimming down its 70-strong free newspaper business in the UK. Mr Robert Kiernan, managing director of Thomson Information Services, said an EMAP offer for the businesses had "prompted a strategic review".

"While still recognising that these were a strong portfolio of major brands, we acknowledged that the business had moved away from TISL's core development area," he said.

The sale leaves Thomson with a handful of titles, including Construction News and International Financing Review, plus a number of professional tax and legal publications.

For EMAP, the acquisition means a consolidation of its position as one of the UK's most substantial business publishers. With 65 titles, after acquisition, EMAP's business publication sales will rise to about £70m, about £30m short of the market leader, Reed International.

# Flanders offers Fl 55m to Daf

By Ronald van de Krol in Amsterdam and John Griffiths in London

BELGIUM'S Flemish regional government is prepared to provide Fl 55m ($29.5m) in capital for a new, slimmed-down Daf, the UK-Dutch truckmaker which went into receivership two weeks ago.

Mr Luc van den Brande, head of the Flanders government, disclosed this yesterday after meeting on Tuesday with Daf's receivers and Mr Koos Andriessen, the Dutch economic affairs minister, in The Hague.

Meanwhile, Daf NV's banks, led by ABN Amro, were expected to have more meetings with its receivers today to hear details of a proposed restructuring plan and consider whether to co-operate in any further refinancing. Current short-term financing of Daf runs out on February 26.

The government of Flanders said the majority of its Fl 55m capital injection would involve a direct equity stake in both the Dutch and Belgian arms of the proposed new Daf company. A smaller portion would take probably take the form of a subordinated loan.

It said the Fl 55m figure would represent 12 per cent of a total of Fl 450m in shareholders' equity needed to revive Daf. Its equity stake would give it input into policy at Daf in the Netherlands, while its stake in the Flemish arm would give it a blocking minority in Flanders.

The Dutch government indicated earlier it would be willing to put up around Fl 200m to relaunch Daf.

The Belgian financing is conditional on guarantees that the new-style Daf would employ around 753 people in Flanders, compared with the more than 1,400 people who currently work at the company's cab and axle factory in Westerlo. It also wants job guarantees for 410 Belgians working at Daf's headquarters in Eindhoven.

Production of Leyland DAF vans resumed in Birmingham yesterday after components suppliers, including GKN, resumed deliveries. But lines at the truck plant in Leyland, Lancashire, were quiet, with suppliers reluctant to restore delivery. At Birmingham's Washwood Heath plant "about a dozen" suppliers are in negotiation with the receivers.

# Bellway unveils £33.6m rights issue

By Andrew Taylor, Construction Correspondent

BELLWAY yesterday became the first UK housebuilder to take advantage of the recent revival in UK house sales by announcing a rights issue.

It is seeking to raise £33.6m ($47.7m) from a two-for-seven issue at 320p. Bellway's share price fell 2p to 394p on the news.

The last round of cash calls by housebuilders was in 1991, when many companies took advantage of a short-lived improvement in house sales to strengthen their balance sheets.

Mr Amarjit Chhina, construction analyst with Barclays de Zoete Wedd, said yesterday that further rights issues for builders were likely. He said: "Some companies still need desperately to reduce debt and bolster balance sheets. Others, like Bellway, will seek opportunistically to exploit the recent rise in construction share prices on the back of a perceived revival in the housing market."

Bellway, which raised £25m in a five-for-eleven issue at 220p in March 1991, said yesterday that it needed the money to expand output from an expected 2,200 homes during the 12 months to the end of July, to 4,000 homes a year by the mid-1990s, which would make it one of the six largest housebuilders in the country.

Bellway forecast that pre-tax profit in the year to end-July would be not less than £16m.

# WestLB takes stake in Kiel bank

By David Waller in Frankfurt

WESTDEUTSCHE Landesbank, the state bank for North-Rhein-Westphalia, with the Südwestdeutsche Landesbank, its Baden-Württemberg associate, will take a 49.9 per cent stake in the Landesbank Schleswig-Holstein in Kiel, it was announced yesterday.

The move is the latest in a protracted bout of rationalisation within the German public banking sector which has been lent added complexity by a scramble to take over the state banking functions for the new Länder, or states, in the eastern part of Germany.

No price was given for the deal, which has been expected in one form or another for some months.

The shape of the final agreement was surprising, however, in that it excluded any participation from the Norddeutsche Landesbank, the Hanover-based state bank which was to have joined forces with the WestLB to buy a minority stake in the Schleswig-Holstein bank.

Mr Bjorn Engholm, prime minister of Schleswig-Holstein, said yesterday he regretted that Norddeutsche's participation had remained "out of reach" in spite of intensive negotiations which concluded on Sunday.

Negotiations had failed because it had proved impossible to arrange an equitable distribution of the holding.

Under the final agreement, SüdwestLB is to take a 9.9 per cent stake and WestLB a 40 per cent holding in the Kiel-based bank.

The rationalisation of the public banking sector has largely been driven by WestLB, the largest of the Landesbanken and on some measures the third largest bank in Germany overall.

Last summer it and the SüdwestLB defeated a rival bid from Helaba, the Hessen central bank for a 50 per cent stake in the Landesbank Rheinland-Pfalz in Mainz. They paid DM750m ($451.8m) for the holding.

Other recent moves in the banking sector include Bayerische Landesbank's purchase of 25 per cent of the Landesbank Saar.

The SüdwestLB took a 25 per cent stake in the new Landesbank for the state of Saxony, while the NordLB has taken on the state banking role for both Saxony-Anhalt and Mecklenburg-Vorpommern.

Helaba, meanwhile, has assumed the state banking function for Thuringia.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales. [illegible]

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| 0200 | [illegible] | [illegible] | [illegible] | [illegible] |
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## INTERNATIONAL COMPANIES AND FINANCE

# Campbell Soup in the red after $300m write-off

By Alan Friedman in New York

CAMPBELL SOUP, the US foods group, yesterday disclosed a net loss of $115.9m, or 46 cents per share, in its second quarter ended January 31.

The quarterly deficit was caused by a previously anticipated $300m write-off taken in connection with an international restructuring and divestiture programme that included plant closures. Campbell achieved $160.6m net profits, or 64 cents per share, in the same quarter a year ago.

The New Jersey-based company said its sales reached record levels during the quarter, having risen by 2 per cent year-on-year to $1.79bn.

Sales for the first six months of the fiscal year were 6 per cent improved at $3.48bn, while net earnings for the six months were $40.7m, or 16 cents per share, down from $289.8m, or $1.15 a share, in the first half of the 1992 fiscal year.

Mr David Johnson, president and chief executive of Campbell, said that before restructuring charges the company's net earnings were actually 18 per cent higher in the first six months.

"In the teeth of a tough competitive environment worldwide, we have delivered strong results for the second quarter," Mr Johnson said. He noted that Campbell Soup had launched more than 70 new products and said the group's new strategy would further focus on strong brand names.

Campbell's North and South American division, the single largest business, reported a 7 per cent rise in second-quarter operating earnings before restructuring charges. Sales for the division were 4 per cent better at $1.29bn.

The biscuit and bakery division had a 2 per cent decrease in operating earnings before charges with sales 1 per cent lower at $214.2m in the quarter.

Operating earnings in the second quarter for Campbell Europe/Asia increased by 10 per cent before restructuring charges. Sales were 1 per cent lower at $290.2m.

On Wall Street, the Campbell Soup share price was $1 lower at $40¼.

# HK investors buy into Westcoast Petroleum

By Bernard Simon in Toronto

FIVE wealthy Hong Kong investors are taking a substantial stake in western Canada's oil and gas industry by buying Westcoast Petroleum, a subsidiary of Westcoast Energy of Vancouver.

The Hong Kong consortium will pay C$247.5m (US$196.4m) for Westcoast, which has been seeking extra capital for some time to finance exploration programmes in western Canada, as well as Libya and Indonesia.

The buying group is led by Mr Cheng Yu-Tung, chairman of New World Development, Mr Stanley Ho who heads Shun Tak Holdings, and Mr Lee Shau Kee, chairman of Henderson Land Development.

Cheng Yu-Tung: one of the leaders of the HK consortium

Canada has been one of the main beneficiaries of the flight of capital from Hong Kong ahead of the colony's 1997 handover to China.

The Westcoast purchasers are following in the footsteps of Mr Li Ka-shing, who controls Husky Oil, one of Canada's biggest independent oil and gas producers.

Husky has incurred sizeable losses in recent years however, and has been a heavy burden on Mr Li's Hong Kong companies.

Mr Stephen Letwin, Westcoast's chief financial officer, noted yesterday that his company was smaller than Husky and more focused on upstream exploration and production. "We think these investors are going to be more than pleased with what they get," Mr Letwin.

Westcoast, which is based in Calgary and classified as a mid-sized producer, suffered a C$5.7m loss in the first nine months of 1992 on operating revenues of C$82m.

The setback was due largely to lower natural gas prices, which have staged a recovery in recent months. Westcoast Energy was due to release its annual financial results late yesterday.

Westcoast Petroleum produced an average of 14,400 barrels of oil and 76m cu ft of gas a day last year.

Westcoast Energy is selling the oil and gas division to concentrate on natural gas distribution following its C$600m purchase last year of Union Energy, an Ontario gas company.

Proceeds from the disposal will be used to reduce borrowings used to finance the Union acquisition. Westcoast is also planning an equity issue.

# Higher volumes and lower charges boost Teleglobe

By Robert Gibbens in Montreal

TELEGLOBE, Canada's fast-expanding international telecommunications group, earned C$18m (US$14m) or 34 cents a share in the final quarter of 1992, up 50 per cent from C$12m or 26 cents a share a year earlier, on a revenue gain of 11 per cent to C$143m.

The gains came from rising telecommunications volume and lower financial charges.

Operating profits for 1992 came to C$30.6m or 72 cents a share up from C$25.7m or 54 cents a share the year before, on revenues of C$489m, up 12 per cent.

But net restructuring charges of C$81m brought attributable losses for the year of C$50.6m or C$1.19 a share.

● Newbridge Networks, a Canadian-based international telecommunications equipment producer, earned C$34.5m or 96 cents a share in the nine months ended January 31, up from C$5.1m or 15 cents a share a year earlier. Revenues were C$207m, up from C$129m, because of major contract deliveries.

● SHL Systemhouse, a big Canadian systems integrator, plans expansion in Mexico and other Latin American countries, besides the US and Europe. Mr John Oltman, chairman, said the company is now increasingly profitable and targets annual revenues of well over C$2bn within five years.

● Norcen, an international energy group controlled by Edper-Hees, reports net profits of C$38.9m for 1992 against C$44.1m for 1991, on revenues of C$1bn against C$976m. Per share earnings were 49 cents in both periods because of capital changes.

# BellSouth to spend $9bn on updating network

By Patrick Harverson in New York

BELLSOUTH, the largest of the Baby Bell regional telephone companies that was spun off from AT&T in 1984, has unveiled plans to spend up to $9bn during the next three years updating its telecommunications network.

The Atlanta-based company said $5.7bn would be spent to keep up with the business' growth and to replace outdated equipment, and another $3bn would be invested in newer technology for the network infrastructure.

Some of the money will go towards the installation of more fibre optic cable and the continued replacement of analog central offices with digital equipment.

So far, BellSouth has installed 900,000 miles of fibre optic cable in its US network and plans to install fibre-to-the-curb systems for 130,000 residential and business customers over the next three years. The incorporation of self-healing capabilities into the network to enhance reliability will also continue under the capital investment programme.

● In a separate development, BellSouth has signed preliminary agreements with Intel, RAM Mobile Data and Ericsson Telephone to develop new products and services for the mobile computing market.

The four companies said they planned to expand the availability and increase the usage of standard Intel processor-based mobile computers able to perform two-way wireless communications via the nationwide dedicated public mobile data networks run by RAM.

BellSouth and Intel also said they would be exploring new mobile computing products and services that can be used on a variety of communications networks.

# Sweden considers government aid for SE Banken

THE SWEDISH government will decide in the next few days whether to support Skandaviska Enskilda Banken, the country's leading commercial bank, Mr Bo Lundgren, taxation minister, said yesterday, writes Christopher Brown-Humes in Stockholm.

His announcement came after Sweden's Finance Supervisory Authority said SE Banken and Föreningsbanken needed support to meet capital adequacy requirements. Mr Lundgren said the state had already provided SKr67.5bn ($9bn) to troubled banks, including just over SKr50bn to Nordbanken, SKr10bn to Gota Bank and SKr7.3bn to Första Sparbanken.

## FT500

The following are amendments to figures in tables published in the FT500 on February 10, 1993:

Top 500 European companies: Allied-Lyons (ranked 46): profit this year $1,008.1m not $100.8m; profit percentage change 27.3 per cent not -87.3 per cent; ROCE (return on capital employed) 17.3 per cent not 5.9 per cent; Dresdner Bank (49): profit this year $867.1m not $1,295.4; profit percentage change -14.3 per cent not 28.1 per cent; ROCE 12.5 per cent not 18.7. Bankinter (418): ROCE 26.4 per cent not 263.6 per cent.

Top 500 UK companies: Allied-Lyons (24): profit this year £610.0m not £61m; profit percentage change 27.3 per cent not -87.3 per cent; ROCE 17.3 per cent not 5.9 per cent. Calor Group (215): turnover this year £362.2m not £168.1m: turnover percentage change 10.3 per cent not -48.8 per cent; Hartstone Group (272) profit last year £7.4m not £2.3m; profit percentage change 199.6 per cent not 874.1 per cent.

# Hewlett-Packard boosted by record orders

By Louise Kehoe in San Francisco

HEWLETT-PACKARD, the US computer and electronics manufacturer, reported higher than expected first-quarter earnings. The quarter, ended in January, is the first since Mr Lewis Platt succeeded Mr John Young as president and chief executive in October, when Mr Young retired.

Net earnings were $261m, or $1.03 per share, compared with a net loss of $30m or 12 cents per share in the first fiscal quarter of 1992, when HP took an after tax charge of $332m to reflect a change in accounting for retiree health care benefits.

Excluding the charge, HP had net earnings of $302m or $1.19 per share in the first quarter a year ago.

Wall Street analysts had been predicting net earnings of around 96 cents per share. HP's stock jumped to $70¼ in early trading yesterday, up from Tuesday's close of $67⅝.

Revenue for the quarter totalled $4.6bn, compared with $3.9bn in the same period last year. US revenues were $2.1bn, up 24 per cent, while revenues from outside the US rose 14 per cent to $2.5bn. The company noted that acquisitions accounted for about three percentage points of the growth in revenues.

New orders booked during the quarter were a record $5.2bn, up 24 per cent, signalling strong revenues in the future. US orders totalled $2.1bn, up 18 per cent over 1992, while orders from outside the US grew by 28 per cent to $3.1bn.

"We're extremely pleased with our growth in orders, which was well balanced by business and geography," said Mr Platt. "Our revenue growth was strong and earnings were good, even though they were lower than those of our outstanding first quarter of 1992.

"The year is off to a good start," he added. "Our challenge is to turn strong order growth into higher profitability. We're cautious, however, because continuing order growth depends in part on worldwide economic conditions, which still show signs of weakness in key geographies.

"We're encouraged by the success of our new products, and we're finding opportunities even in this tough environment. Our focus will remain on the strong product programmes and lean organisations that success requires."

Lewis Platt: encouraged by the success of new products

Operating expenses for the first quarter rose 11 per cent, with about 2 percentage points of this increase due to the effects of acquisitions. Operating expenses fell as a percentage of net revenue from 34.7 per cent in 1992's first quarter to 32.5 per cent.

"We're very pleased with the progress we've made on reducing operating expenses as a percentage of net revenues," said Mr Platt. "We must continue our efforts to reduce operating expense ratios in all our businesses."

● Separately, HP announced that Mr John O'Rourke, formerly of Bellcore and Bell Labs where he had more than 25 years' experience directing telecommunications programs, has joined the company in the newly created position of general manager, Telecommunications Operations, and chief telecommunications architect.

In this post, Mr O'Rourke will lead development of an integrated strategy to increase significantly HP's position in the telecommunications industry, the company said.

# Norgeskreditt plans move into banking

By Karen Fossli in Oslo

NORGESKREDITT, the Norwegian private sector mortgage company, yesterday announced plans to become a commercial bank, following recent approval for the move by the finance ministry.

The company said it would seek backing for the proposal at its annual general meeting scheduled for April 1. Norgeskredit said bank status would give it access to the domestic retail market which would constitute an important supplement to financing from the bond market, and thereby contribute to stability in its funding situation.

"Access to the deposit market, the ability to borrow from the central bank and membership of the banks' traditional safety net are also anticipated to have a positive effect for [the group's] bondholders," Norgeskreditt said.

Norgeskreditt's assets dipped to NKr19.7bn ($2.8bn) at the end of December from NKr21.3bn a year earlier. The company strengthened significantly its capital base through a NKr750m share issue in 1992, when it converted to a limited company.

In addition, NKr384m of repayable contributions by foundation members was converted into share capital to boost total capital to NKr1.53bn.

Norgeskreditt's preference shares have been trading on the Oslo bourse since last July.

It said approximately 30 per cent of the preference share capital had changed hands since the listing, and that about 11.6 per cent of its total share capital is held by foreign investors.

Separately, the company announced it had returned to the black with net profits of NKr679.7m in 1992 from losses of NKr16.9m in the previous year.

The turnround was helped by extraordinary income of NKr575.5m, gained from a change in rules for loan loss provisions allowing these provisions to be booked on profit and loss accounts. Profits before extraordinary items rose to NKr131.3m from NKr100.5m, helped by a rise to NKr257.6m in net interest income from NKr242.3m and a reduction in securities losses to NKr33.8m from NKr57.8m.

Credit losses, however, rose to NKr66.4m from NKr51.3m in 1991. The company said that last year it repossessed commercial property with a book value of NKr34.3m, and that these assets provide a net yield of 8.9 annually.

Norgeskreditt had a capital adequacy of 14.2 per cent of risk-weighted assets according to Bank for International Settlements rules.

# Cigna falls sharply in final term

By Patrick Harverson

CIGNA, one of the largest composite insurance companies in the US, has announced a sharp drop in fourth-quarter earnings to $50m, down from $108m a year earlier.

Full-year 1992 profits of $311m were also well down on the previous year, when the company earned $449m, although the latest results were depressed by a $26m charge to cover the adoption of new accounting standards.

Earnings would have been worse but for realised investment gains, which brought in $19m in the fourth quarter and $192m in the year. In comparison, investment gains in 1991 netted only $52m.

The company, which described its results as "unsatisfactory", said its property and casualty operations incurred a loss of $374m last year, despite investment gains of $111m.

The bulk of the losses were due to a big increase in catastrophe losses, which jumped from $68m in 1991 to $251m, largely as a result of Hurricane Andrew which devastated parts of southern Florida and Louisiana in August.

Earnings from Cigna's employee life and health benefits business also fell sharply in 1992, although income from its financial services division rose slightly.

# BF Goodrich to spin off Geon Vinyl arm

By Laurie Morse in Chicago

BF GOODRICH, the Ohio-based specialty chemical and aerospace products group, yesterday announced that it is going to spin off its Geon Vinyl division.

Goodrich expects to gain as much as $310m from an initial public offering Geon's stock, as well as $200m in special distributions before the completion of the offering.

In a filing with the Securities and Exchange Commission, the Geon Company said BF Goodrich intended to offer about 50 per cent of Geon Vinyl stock to the public, if market conditions were favourable. Geon is expected to assume about $30m of BF Goodrich's existing debt.

Geon Vinyl produces vinyl resins and compounds which are used in a variety of applications, including construction products, business machine components and appliance parts.

The division is based in Independence, Ohio, and operates 14 manufacturing plants in the US, Canada, and Australia. Geon Vinyl has 2,500 employees, while BF Goodrich has about 13,200.

BF Goodrich said Geon Vinyl had revenues of $950m in 1992, down slightly from $981m in 1991. Geon Vinyl logged a net loss of about $3.3m last year, and a loss of $26.5m in 1991.

BF Goodrich itself had revenues of $2.5bn in 1992, with net income of $2.5m and a per share loss of 23 cents.

Mr John Ong, BF Goodrich chairman, said his company intended to use the proceeds of the Geon Vinyl spin-off to expand Goodrich's specialty chemicals and aerospace businesses.

● Whirlpool, the leading US producer of home appliances, expects its American sales to increase between 3 per cent and 4 per cent in 1993 from the previous year, Reuter reports.

Mr William Marohn, chief operating officer said that recovery in the US would boost sales in the industry by between 3 and 4 per cent this year.

"Based on what we have seen so far in the first quarter, my sense is that we are still living with that projection," he said.

Its North American sales were around $2bn with group sales of $7.3bn last year.

# Aeromexico in share swap deal with its larger rival

By Damian Fraser in Mexico City

AEROMEXICO and Mexicana, Mexico's two main airlines, have agreed to a share swap deal giving Aeromexico control over its larger rival. The move will allow them to restrict competition on some routes and share reservation systems.

Under the alliance the companies' shareholders will swap shares in each other's businesses. The more efficient Aeromexico will gain the controlling interest in a new holding company which will run both airlines. However, Mexicana and Aeromexico will survive as separate entities, in name at least.

Despite rapid growth in Mexican air travel, both Mexicana and Aeromexico have been losing money. Mexicana, whose principal shareholders include Sir James Goldsmith, incurred net losses of 223,892m pesos in the first nine months of last year. The company owns 11 airbuses, 20 Boeing 727-200, and six DC-10's. The agreement marks a triumph for Aeromexico, which has just bought a controling interest in Aero-Peru, and is looking to expand internationally.

THe agreement appears to have received the green light from the Mexican government, and raises questions about official commitment to competition policy. Many sectors of the Mexican economy are dominated by quasi-monopolies, including television, telecommunications, and now airlines.

● United Airlines, the US airline controlled by UAL, is offering for sale its 17 flight kitchens located throughout the US and has engaged First Boston to serve as its financial adviser for the transaction, Reuter reports from Chicago.

The flight kitchens employ about 5,000 people, who prepare more than 125,000 meals daily in 14 cities for United and for other airlines on a contract basis.

# Increased sales help lift EdF to FFr2.5bn

By Alice Rawsthorn

ELECTRICITE de France (EdF), the state-controlled utility group, achieved a 32 per cent increase in net profits to FFr2.5bn ($452.3m) in 1992, from FFr1.9bn in 1991.

Mr Gilles Ménage, chairman, said the rise was due to increased sales of electricity (both in France and other countries), to lower primary prices and to debt reduction.

EdF, which has made significant productivity improvements in recent years, promised earlier this month to start cutting its prices in France by 1.25 per cent a year.

Sales rose to FFr177.5bn last year from FFr171.4bn in 1991 while gross operating profits climbed to FFr77.from FFr71.5bn. In France, which accounts for 86 per cent of turnover, sales grew by 3.6 per cent to FFr159.7bn last year. International sales rose 3 per cent to FFr12bn.

Although EdF suffered a reduction in demand in some markets, such as Germany, it managed to compensated through price increases.

The group plans to continue its international expansion, outside France but has opted to do so through joint ventures, notably in Spain and eastern Germany rather than by selling electricity directly as it does in its UK operation.

Mr Ménage said that EdF had held investment expenditure at FFr32.4bn in 1992, against FFr32.3bn in 1991. This helped it to reduce debt to FFr194.8bn last year from FFr214bn in 1991.

# Profits drop for Nykredit

By Hilary Barnes in Copenhagen

NYKREDIT, the large Danish bond-issuing mortgage credit institution with total assets of about DKr351bn ($55.7bn), reported a fall in pre-tax profits last year to DKr263m from DKr1.10bn in 1991.

Write-offs and provisions for loans increased from DKr1.43bn to DKr1.78bn, while a gain in 1991 of DKr625m on the value of the securities portfolio became a loss in 1992 of DKr308m. Operating profits increased by 23 per cent from DKr1.91bn to DKr2.35bn.

The result was described by the group as acceptable in view on the long economic recession, which is also expected to affect the 1993 results. Equity capital and reserves showed little change at DKr17.93bn, which gave a capital adequacy ratio of 9.3 per cent compared with the 8 per cent legal minimum, said the group.



# Aker foresees job cuts in face of steep North Sea output fall

By Karen Fossli in Oslo

AKER, the Norwegian cement, oil and gas technology group, is gearing up for a large-scale restructuring of its oil and gas division, because it is faced with a steep fall in North Sea oil and gas activity, expected by 1995.

Mr Tore Bergersen, president of the division, said that to adapt to future market conditions, a significant downsizing operation might be necessary, with the possibility of up to 3,000 to 4,000 engineering and fabrication jobs being shed within the division, which currently has 11,000 employees.

In 1991 the division achieved turnover of NKr7.9bn ($1.1bn), but by the first eight months of last year turnover had already reached NKr7.5bn. Aker is due to report 1992 results on March 4.

The group's oil and gas technology division supplies engineering, equipment and fabrication work to the oil and gas industry. It comprises nine sub-divisions and has a current order book valued at NKr26bn.

Norwegian Contractors, a core subdivision, will see turnover of NKr3.3bn in 1993, Mr Bergersen forecast. The figure is slightly lower than what is expected for 1992, but up from NKr2.3bn in 1991.

The division will also have to adapt to more compact development projects, by building much smaller scale oil and gas platforms, so that existing North Sea oil and gas infrastructure can be utilised after production from these massive installations winds down, Mr Bergersen said.

Another way the division will adapt to leaner times is by entering "partnering" projects, an industry term describing projects which extend over several years to provide oil companies with a wide-range of maintenance, engineering and fabrication projects, mostly for existing platforms.

Mr Bergersen said the division recently entered a partnering relationship with British Petroleum Norway which will endure for an unlimited time or as stipulated by BP.

Another way in which Aker's oil and gas technology division will adapt is by taking on international projects.

The first step was taken two years ago through the acquisition of Gulf Fabricators in Corpus Christi, Texas, and Houston-based Omega Marine.

Aker believes it will benefit greatly in future from earlier relationships established with major international oil companies for which it has already engineered and built numerous platforms in the North Sea. As the majors expand oil and gas production worldwide, they will need the services which Aker can provide, particularly for high-technology deep water oil and gas projects.

Aker also believes Norwegian oil companies Statoil, Saga Petroleum and Norsk Hydro will demand its services as they develop oil and gas reserves which they are hoping to discover in offshore regions such as south-east Asia and West Africa.

# Peripherals help Canon improve

By Michiyo Nakamoto in Tokyo

Ryuzaburo Kaku: expects a second-half recovery this year with a modest profits improvement

CANON, the office equipment and camera manufacturer, last year suffered a small decline in sales but posted a marginal increase in profits due mainly to the strength of its computer peripherals business.

Pre-tax profits moved up 1.3 per cent to Y77.13bn ($637m) as turnover dipped by 0.9 per cent to Y1,063bn.

Canon expects a modest improvement in both sales and profits this year on the back of a second-half recovery. It forecasts anincrease in sales to Y1,100bn and a rise in pre-tax profits to Y77.5bn.

The company, chaired by Mr Ryuzaburo Kaku, which is considering buying the computer hardware operations of Next Computer, the US company, saw sales in its computer peripherals business rise 25 per cent to Y405.45bn in 1992.

In the computer peripherals division, the company's laser printers sold particularly well in the second half after it introduced a new model, while its bubble jet printers increased sales last year as awareness of their advantages spread.

Copiers also performed well. Sales increased by 4 per cent to Y332.9bn, largely on the strength of colour copiers, application equipment such as feeders and chemicals such as toners.

But cameras suffered a 24 per cent fall in sales to Y167.29bn, as the economic slump dampened consumer spending. Cameras, which were Canon's mainstay in its early years, accounted last year for only 16 per cent of sales, against 21 per cent in 1991. Sales of communication equipment also fell back 12 per cent, to Y114.42bn, but this was largely a result of a transfer of the company's personal communications equipment business to a new company it set up last year in Hong Kong.

# Thai Stock Exchange seeks improved disclosure

By Victor Mallet

THE Stock Exchange of Thailand yesterday announced plans to improve financial disclosure by listed companies after the shutdown of First City Investment, a small listed finance and securities company.

FCI suspended payment of mature promissory notes this week and the Bank of Thailand, the central bank, said the company was "temporarily closed" because of liquidity problems pending further efforts to arrange a rescue.

FCI is thought to have several billion baht of bad and doubtful debts on its books. The BoT said an investigation last year showed that FCI had extended loans to affiliated companies without collateral.

Bangkok Bank, the country's largest commercial bank, has been asked by the BoT to rescue FCI in exchange for broking licences and other incentives, but a deal has yet to be completed.

Mr Seri Chintanaseri, SET president, said after an SET board meeting yesterday that companies suspected of providing misleading financial information would be reported to the newly-formed Securities and Exchange Commission.

# Drought slows down SA chemical group

By Philip Gawith in Johannesburg

AECI, the South African chemicals group in which ICI of the UK and Anglo-American Industrial have large share stakes, reports lower profits for 1992 but plans to maintain its dividend.

Earnings per share fell to 106 cents from 121 cents and compare with the 203 cents achieved in 1989. The dividend is being held at 58 cents.

Mr Mike Sander, managing director, said 1992 had been a worse year than originally predicted for two reasons: the lack of growth in world economies and the very severe drought in South Africa.

Exports make up a significant portion of AECI's business. About 20 per cent of its turnover goes directly to the agriculture sector.

Turnover for the year rose by 1 per cent to R5.36bn ($1.7bn) and net trading income was unchanged at R403m. Cost controls saw margins maintained in most sectors, though at low levels. A slightly higher tax bill and a decline to R16m from R28m in investment income saw attributable income drop to R164m from R187m.

Exports rose by 28 per cent to R643m (R502m), accounting for 12 per cent of turnover.

# Fletcher Challenge sees return to full-year profit

By Terry Hall in Wellington

FLETCHER Challenge, the New Zealand forest products and energy group, expects to return to profit this year following strong first-half gains.

The company forecasts profits of NZ$200m (US$103m) for the year ending June, 1993 on the back of positive factors in most of its operations. For 1991-1992 the group made a loss of NZ$158m after writing down its Australian property portfolio.

As reported in late editions yesterday, the six months ended December achieved earnings of NZ$153.5m excluding abnormal items, up from NZ$121m a year ago.

Mr Hugh Fletcher, chief executive, said the result reflected good performance in energy, both in New Zealand and Canada, a strong recovery in its New Zealand operations, an improving trend in Canada, and continued growth in sales to Asia, which reached NZ$1bn for the first time.

The group had also achieved a significant reduction in its interest expenses and improved the cash flows from existing businesses.

Mr Fletcher pledged that the company, which was widely criticised in 1991 and 1992 for continuing to expand rather than repay debt, would not make any further acquisitions until it had improved its international investment grade ratings. He said a number of further assets were to be sold, including nearly all its investment properties in New Zealand.

Discussing the future, Mr Fletcher said the company saw "reasonable" growth prospects in New Zealand, North America and Asia, excluding Japan. "We expect conditions in Britain and Australia to be difficult, but to show continuing improvement," he said.

Mr Fletcher said an aggressive restructuring programme was under way with the company concentrating on expanding output, reducing employees and developing new products to increase profitability. He said that despite these improvements a recovery in prices is necessary to restore profitability.

He said the immediate outlook was that with the exception of methanol and wood pulp, most of the company's products and services appeared to have reached the bottom of their cyclical trough, and had begun an upward movement.

# Six Japanese companies brought into Thainox Steel venture

By Victor Mallet in Bangkok

THAINOX Steel, the Thai stainless steel joint venture in which Ugine of France is the largest foreign shareholder, yesterday announced that a consortium of six Japanese companies had been brought into the project.

ILVA of Italy was brought into the venture last year.

The latest move is the final stage in a restructuring of Thainox's equity, which began when several international steel producers found themselves planning rival factories with a combined capacity far too large for the Thai market.

Under the final arrangement, Ugine will have 21 per cent of Thainox while ILVA and the Japanese consortium will hold 14 per cent each. The four Thai partners will share the remaining 51 per cent. Ugine and its partner, FM Group of Thailand, will retain joint management and operational control.

Nippon Steel will co-ordinate the Japanese consortium, which says it will have the right to supply 30 per cent of the raw material for the plant in Rayong and to sell 30 per cent of Thainox's output to the Japanese companies' traditional customers in Thailand.

The factory is due to start production in October this year of up to 60,000 tonnes a year of cold-rolled stainless steel sheets, an amount slightly higher than the present size of the entire Thai market.

The sheets are used to make a range of products, including washing machines and car exhaust systems.

Thainox says its plant will be the first producing stainless steel in the six-country Association of South East Asian Nations (Asean), where demand is growing at more than 10 per cent a year.

The other Japanese participants are Nisshin Steel, Kawasaki Steel, Sumitomo Metal Industries, Nippon Metal Industry and Nippon Yakin Kogyo.

# Burns Philp up 32% at half-term

By Kevin Brown in Sydney

BURNS Philp, the Australian food and hardware group, yesterday announced a 32 per cent increase in net profit to A$54.5m (US$37m) for the six months ended December, on sales up 17 per cent to A$1.35bn.

The group said its North American consumer foods and European yeast operations performed "particularly strongly". The recently-acquired Durkee-French spice business in the US also made a "significant" contribution.

Mr Andrew Turnbull, managing director, said the group was "pretty happy" with the result. He forecast an improvement on last year's full-year net earnings of A$101m.

The board raised the dividend from 8 cents to 8.5 cents, helping to maintain the shares at a peak A$4.06 on the Australian Stock Exchange, despite a weak market.

Burns Philp said that two thirds of pre-tax profits were contributed by the food operations in North and South America, which reported a 66 per cent improvement in operating earnings to A$65.9m.

Most of the improvement was contributed by Durkee-French, purchased last year for A$113m, which recorded pre-tax profits of A$18.4m. The group said the division also gained from improved productivity and higher returns from its Argentine operations.

The food ingredients businesses in the Asia/Pacific region, which includes Australia, raised operating earnings by 25 per cent to A$20.9m, largely as a result of the benefits of rationalisation.

However, Burns Philp said pre-tax returns from its BBC Hardware division fell by 11 per cent to A$17.9m, mainly because of high unemployment and low consumer confidence in Australia.

# HK Daily News in rights issue

HONG KONG Daily News and Trading, which publishes the Chinese-language Hong Kong Daily News, is to reincorporate in Bermuda and raise HK$149.3m (US$19.3m) through a rights issue, AP-DJ reports from Hong Kong.

The company plans a 10-for-1 share swap, to be followed by a one-for-one rights issue at HK1.28 a share.

It will also give holders one warrant for each five new shares, convertible into one new share at HK$1 on or before December, 1995.

Hong Kong Daily News has earmarked HK$75m of the rights proceeds for a new headquarters building.

It will also spend HK$35m on new production equipment.

With an additional HK$10m, Hong Kong Daily News will further develop product lines and extend its retail furniture operations.

The company will put aside the remaining HK$23.6m as working capital.

The company's shareholding structure will be reorganised into a new Bermuda-based holding company called Hong Kong Daily News Holdings.

## NEWS IN BRIEF

■ **Pioneer Electronic** has bought Trimble Navigation's 49 per cent stake in the two companies' navigation systems joint venture, Pioneer Trimble, which is based in California, Reuter reports from Tokyo. The venture will be renamed Pioneer Navicom and will be wholly owned by Pioneer.

Trimble, a world leader in global positioning system technology, intends to focus on strengthening its the marketing in Japan of its local subsidiary.

■ **OCBC Asset Management**, part of the Oversea-Chinese Banking group, plans to launch an open-ended unit trust aimed at investment in the Asia-Pacific region, Reuter reports from Singapore.

OCBC Asset expects the fund, Savers AsPac Recovery Fund, to attract S$20m (US$12.2m) during the offer period.

■ **Rothmans Holdings**, the Australian arm of the tobacco group, expects operating profit for the year ending March to fall more than 15 per cent below the 1991-92 result, Reuter reports from Sydney.

"We have reason to believe there will be a decrease in the operating profit before abnormal items and tax for the current year, which will vary by more than 15 per cent from the previous corresponding year," the company said.

For 1991-92, Rothmans Holdings earned A$129.3m (US$87.9m), before abnormal items and tax.

■ **Leighton Holdings**, the Australian construction group, has written off A$31.8m (US$21.6m) on its development properties after pressure from Australian regulators and further deterioration in the property market, Reuter reports from Sydney.

The write-off reduced net profits for the six months ended December to A$3.51m, from A$10.51m, offsetting more than doubled operating earnings of A$36.1m.

# INTERNATIONAL CAPITAL MARKETS

## Quebec and World Bank join high-quality issuers

By Antonia Sharpe

THE international bond market had an active day as several high-quality borrowers launched deals in a variety of currencies.

Among the previously-announced global deals, the Canadian Province of Quebec's C$1.4bn offering due 2023 was priced yesterday to yield 90 basis points over comparable Canadian government bonds, and kept to that spread when they were freed to trade in the afternoon.

Syndicate managers said that a significant proportion of Quebec's bonds were placed in the US and Canada but that there had also been demand from Switzerland, Germany and Japan.

The day's other global issue, the World Bank's Y200bn due 2003, is due to be priced early today to yield 25-27 basis points above the benchmark Japanese government bond No 145 due 2002, the same as the yield of the World Bank's first global yen deal which also matures in 2002.

An official at IBJ International, the joint lead manager and book-runner of the deal along with Morgan Stanley and Nikko Europe, said he expected the issue to be priced towards the tighter end of the indicated range, in view of the level of demand so far.

The official added that between 40 to 50 per cent of the issue was likely to be placed in the Far East, about 30 per cent in Europe and the remainder in the US.

The good reception to these two global deals raised hopes

### INTERNATIONAL BONDS

that the Kingdom of Sweden's first global offering in dollars would proceed smoothly. The terms of the deal are expected in the next few days.

Elsewhere, the European Investment Bank fulfilled market expectations by launching a Ecu500m seven-year bond. The bonds were priced at 98.41 to yield 8.056 per cent, the same yield as the French government's 9½ per cent Ecu-denominated OATs due 2000.

The pricing represents a yield spread of 18 basis points above the theoretical Ecu yield curve, which is based on the value of bonds denominated in component currencies. The differential between theoretical and real yields is widest at seven years. For example, the yield spread in the three-year area is virtually flat, in five years it is 10 basis points, and in the 10-year area, three basis points.

Syndicate managers said the fact that the EIB's bonds were pitched at the cheapest part of the curve from the investors' viewpoint indicated that there was political pressure on the supranational agency to continue to restore investor confidence in the Ecu-denominated sector of the Eurobond market.

"It is in the EIB's interest that the deal goes well," said one syndicate manager.

When the bonds were freed to trade, they quickly rose to 98.65 bid, giving a yield of three basis points below that of the OATs.

In the D-Mark sector, the Spanish region of Andalucia reaped the benefits of a successful presentation to investors in Frankfurt last week, which enabled it to raise the amount of its previously-announced five-year offering from DM300m to DM400m, its maximum requirement.

"The deal was well placed," said an official at the lead manager Dresdner Bank. He added that the bonds had been evenly distributed in Germany and Switzerland. When the syndicate broke, the bonds rose as high as 101 from a re-offer price of par, but eased back to 100.70 bid in the late afternoon.

Compared with other sectors of the market, the D-Mark sector has been relatively neglected in recent weeks, but syndicate managers expect some sovereign and supranational issuers to tap this area in the near future. Belgium is reported to be considering a DM600m offering, while the European Community may raise more than DM1bn.

Meanwhile, continued good conditions in the swaps market prompted the European Bank for Reconstruction and Development (EBRD) and the Kingdom of Denmark to raise Canadian dollars for the second time in less than a month.

Yesterday, both borrowers raised C$250m each via five-year offerings. When the syndicate broke on the EBRD deal, the bonds traded at their launch spread of 26 basis points above comparable Canadian government bonds. Denmark's deal was launched later in the day, at a yield spread of 44 basis points above comparable Canadian government bonds, and the bonds were not freed to trade by late yesterday.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | |
| Tce Corp.(a)♦ | 150 | 2.125 | 100 | Mar.1997 | 2.25/1.5 | Nikko Europe |
| Gruma(b,c) | 125 | (c) | (c) | Mar.1998 | 1/0.625 | Lehman Brothers Int. |
| Petroleo Brasileiro(b) | 110 | 8.675 | 99.796 | Mar.1995 | 1/0.6 | Salomon Brothers Int. |
| YEN | | | | | | |
| World Bank(d) | 200bn | (d) | (d) | Mar.2003 | 0.325 | IBJ Int./MSI/Nikko Europe |
| D-MARKS | | | | | | |
| Andalusia | 400 | 7.25 | 102.2 | Mar.1998 | 2/1.7 | Dresdner Bank |
| Hamburgische Landesbank(e)‡ | 100 | (e) | 100 | Mar.2003 | 0.3/0.15 | Trinkaus und Burkhardt |
| STERLING | | | | | | |
| Argyll Group | 150 | 8.125 | 100.725 | Mar.2000 | 1.875/1.625 | CSFB |
| ECUS | | | | | | |
| European Investment Bank | 500 | 7.75 | 99.985 | Mar.2000 | 1.875/1.775 | Barclays de Zoete Wedd |
| CANADIAN DOLLARS | | | | | | |
| Kingdom of Denmark | 250 | 7.5 | 100.935 | Mar.1998 | 1.875/1.625 | Merrill Lynch Int. |
| EBRD | 250 | 7.375 | 101.235 | Mar.1998 | 1.875/1.625 | RBC Dominion Secs.Int. |
| GUILDERS | | | | | | |
| Bank for Dutch Municipalities | 1.5bn | 7 | 101.3 | Mar.2003 | 1/0.625 | ABN Amro Bank |
| SWISS FRANCS | | | | | | |
| Japan Finance Corp. | 350 | 5 | 102.5 | Mar.2000 | - | Credit Suisse |

Final terms and non-callable unless stated. ‡Floating rate note. a) Final terms fixed on 23/2/93. b) Semi-annual coupon. c) Priced today to yield 430-450bp over the 5.625% 1998 US treasury. d) Global issue. Priced today to yield 25-27bp over the No.145 JGB. e) Coupon pays 6.5% fixed annual in first year and 13% - 6-month Libor thereafter.

## Argyll turns to sterling bonds to raise £150m

By Richard Waters

ARGYLL, the supermarket group, yesterday became the latest UK company to raise fixed-rate finance through a sterling bond issue, a further sign that UK finance directors believe long-term sterling interest rates are unlikely to fall much further from their current levels.

The group raised £150m through an issue of seven-year Eurobonds to meet part of the £600m cost of its store development programme this year.

The bonds, with an 8⅛ per cent coupon, were priced to yield 8.1 per cent, or 80 basis points more than the 9 per cent gilt due in 2000.

Falling UK interest rates, and a move by many companies to shift their borrowing to shorter-dated instruments, has left the Eurosterling market starved of longer-dated paper, with demand reported in particular for bonds of seven years or longer. As a result, yield spreads between corporate and government debt have narrowed steadily in recent months.

Other issues recently have been concentrated in the long-dated domestic debenture market, with Forte, the hotels group, last week raising £200m, the largest issue of secured bonds for 18 months.

Mr Colin Smith, finance director of Argyll, said the money raised yesterday has not been swapped into a floating-rate liability, since the company is matching the coupon payments to the expected cashflows from store developments.

Although unrated, Argyll was said by bankers involved in the transaction to be seen by investors as a similar credit to rival supermarket group Tesco, which carries a AA3 rating. A Tesco Eurobond issue maturing in 2002 was yesterday yielding around 70 basis points over gilts. Argyll's bonds firmed in later trading yesterday, with the spread over gilts narrowing to 76 basis points.

## S&P asked to withdraw rating for Dai-Ichi

DAI-ICHI Mutual Life Insurance Company has taken the unusual step of requesting Standard & Poor's to withdraw its credit rating, after the US agency lowered the company's rating on claims paying ability from triple-A to double-A+, S&P said, writes Tracy Corrigan.

"In the light of the withdrawal, S&P will no longer be able to maintain surveillance of this insurer's financial strength at a time of growing uncertainty surrounding Japanese financial institutions," the agency said.

The downgrade was prompted by the earnings and capital deterioration caused by the economic downturn in Japan. S&P said that the sharp decline in the Japanese stock market had greatly reduced unrealised gains in Dai-Ichi's equities portfolio.

## Short-dated gilts fall as retail data wipe out rate cut hopes

By Sara Webb in London and Patrick Harverson in New York

SHORT-DATED UK government bonds fell as news of better-than-expected retail sales figures wiped out hopes of a cut in the base rate before the March 16 Budget.

Meanwhile, longer-dated issues edged higher on domestic buying interest, resulting in a further flattening of the yield curve.

Retail sales climbed 1.6 per cent in January from December, showing the strongest increase in more than 18 months and a sharp turnround after the revised 1 per cent fall in sales during December.

Mr Norman Lamont, the Chancellor, warned that there were no plans to adjust interest rates.

"The very strong bounce in retail sales means that hopes of a cut in the base rate have been scaled back now," said Mr Philip Tyson, economist at UBS Phillips & Drew.

The 10 per cent gilt due 1994 fell from 105⅝ to 105⅜ by late afternoon to yield 5.75 per cent.

### GOVERNMENT BONDS

■ GERMAN government bonds closed higher, with investors encouraged to buy bunds because of the strength of the D-Mark against the dollar.

The Liffe bund futures contract opened at 93.70 and traded up to a high of 93.88 before ending the day at around 93.85. Dealers said hopes of a relatively good M3 figure and yesterday's repo gave the market a firm tone.

The Bundesbank accepted bids amounting to DM70.7bn in 14-day securities repurchase agreements, representing a net injection of DM2.4bn in liquidity. The repos were allocated at 8.49 per cent and above, compared with 8.50 per cent and above at the previous repo.

Elsewhere in Europe, French government bond prices closed firmer, taking their cue from the bund market. The yield on the 8½ per cent bond due 2003 moved from 7.84 per cent to 7.76 per cent.

Among short-dated issues, the rally was less pronounced as the market expects the Treasury to sell FFr17-FFr19bn of two and five-year bonds today.

■ JAPANESE government bonds continued to rally, helped by the combination of a strong yen, initial stock market weakness, and good investor demand for nine-year and 10-year paper.

The June futures contract, which opened at 109.88, rose to a new high of 110.02 before ending at 109.90.

The yield on the benchmark No 145 JGB moved from 4.17 per cent to 4.14 per cent, corresponding to the high price of the day, but ended at 4.165 per cent.

■ US Treasury prices firmed slightly in thin trading yesterday as bond investors kept a wary eye on the stock markets and patiently awaited President Clinton's State of the Union address to Congress.

By midday the benchmark 30-year government bond was up ⅛ at 100, yielding 7.120 per cent. At the short end of the market, the two-year note was up $\frac{1}{16}$ at 100$\frac{11}{32}$, to yield 4.047 per cent.

Prices were generally firmer on hopes that further losses in equities will drive investors into government securities. The absence of another big sell-off in the stock markets, however, kept those gains to a minimum. Sentiment may also have been buoyed by the day's main economic news – a 7.2 per cent decline in January housing starts.

### FT FIXED INTEREST INDICES

| | Feb 17 | Feb 16 | Feb 15 | Feb 12 | Feb 11 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| Govt Secs.(UK) | 96.00 | 95.95 | 95.85 | 95.72 | 94.85 | 88.29 | 96.00 | 85.11 |
| Fixed Interest | 111.75 | 111.69 | 111.82 | 111.18 | 110.56 | 101.56 | 111.75 | 97.15 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 111.75 (17/2/93), low 50.53 (3/1/75)

### GILT EDGED ACTIVITY

| Indices* | Feb 16 | Feb 15 | Feb 12 | Feb 11 | Feb 10 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 149.0 | 143.2 | 158.2 | 136.5 | 141.8 |
| 5-Day average | 145.7 | 148.1 | 152.0 | 149.7 | 155.8 |

* SE activity indices rebased 1974

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 110.2818 | +0.346 | 8.42 | 8.62 | 8.85 |
| BELGIUM | | 9.000 | 03/03 | 106.5400 | -0.190 | 7.74 | 7.74 | 7.74 |
| CANADA * | | 7.250 | 06/03 | 96.8500 | -0.300 | 7.70 | 7.86 | 7.95 |
| DENMARK | | 8.000 | 05/03 | 95.2500 | +3.000 | 8.72 | 8.78 | 8.78 |
| FRANCE | BTAN | 8.500 | 03/97 | 102.2494 | +0.239 | 7.62 | 7.88 | 7.75 |
| | OAT | 8.500 | 11/02 | 105.1500 | +0.620 | 7.72 | 7.80 | 7.74 |
| GERMANY | | 8.000 | 07/02 | 106.9300 | +0.080 | 6.97 | 7.04 | 7.09 |
| ITALY | | 12.000 | 05/02 | 96.2950 | -0.105 | 13.09† | 13.00 | 13.42 |
| JAPAN | No 119 | 4.800 | 06/99 | 104.1775 | +0.209 | 3.98 | 4.02 | 4.23 |
| | No 145 | 5.500 | 03/02 | 108.7650 | +0.070 | 4.17 | 4.24 | 4.36 |
| NETHERLANDS | | 8.250 | 06/02 | 109.4600 | +0.100 | 6.84 | 6.96 | 7.10 |
| SPAIN | | 10.300 | 06/02 | 93.0750 | -0.425 | 11.52 | 11.39 | 12.07 |
| UK GILTS | | 7.250 | 03/98 | 102-03 | -4/32 | 6.75 | 6.81 | 7.21 |
| | | 8.750 | 08/02 | 112-03 | -1/32 | 7.91 | 8.06 | 8.41 |
| | | 9.000 | 10/08 | 105-16 | - | 8.36 | 8.58 | 8.83 |
| US TREASURY * | | 6.250 | 02/03 | 99-16 | -6/32 | 6.32 | 6.33 | 6.64 |
| | | 7.125 | 02/23 | 100-00 | - | 7.12 | 7.19 | 7.38 |
| ECU (French Govt) | | 8.500 | 03/02 | 102.7850 | +0.230 | 8.06 | 8.10 | 8.22 |

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

# MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 17

U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield

OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield

DEUTSCHE MARK STRAIGHTS

FLOATING RATE NOTES | Issued | Bid | Offer | C.cpn

SWISS FRANC STRAIGHTS

CONVERTIBLE BONDS | Issued | Cnv. price | Bid | Offer | Prem.

YEN STRAIGHTS

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 12 | 52 | 13 |
| Other Fixed Interest | 5 | 1 | 9 |
| Commercial, Industrial | 244 | 332 | 843 |
| Financial & Property | 90 | 251 | 455 |
| Oil & Gas | 13 | 23 | 48 |
| Plantations | 1 | 0 | 7 |
| Mines | 33 | 17 | 89 |
| Others | 15 | 52 | 56 |
| Totals | 413 | 728 | 1,520 |

### LONDON RECENT ISSUES

#### EQUITIES

Issue Price | Amt Paid up | Latest Renunc. Date | 1993 High | Low | Stock | Closing Price | + or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio

#### FIXED INTEREST STOCKS

Issue Price | Amount Paid up | Latest Renunc. Date | 1993 High | Low | Stock | Closing Price | + or -

#### RIGHTS OFFERS

Issue Price | Amount Paid up | Latest Renunc. Date | 1993 High | Low | Stock | Closing Price | + or -

... issued in connection with reorganisation, merger or takeover. pm Price at a premium. ψ Units comprising 1 ord. and 1 zero pref. share.

### TRADITIONAL OPTIONS

- First Dealings Feb. 8
- Last Dealings Feb. 19
- Last Declarations May 20
- For settlement June 1

*3-month call rate indications are shown in Saturday editions.*

Calls in Aegis, Anglo Pacific, Cupid, Dinkie Heel, Kewill Systems, Lonrho, McCarthy & Stone, Pittencrieff, Premier Cons. and Tadpole Tech. Puts in Lonrho and Proteus Intl. Doubles in Burton and Tadpole Tech.

### FT-SE ACTUARIES INDICES

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### LIFFE EQUITY OPTIONS

| Option | | Calls Apr | Jul | Oct | Puts Apr | Jul | Oct |
|---|---|---|---|---|---|---|---|
| Allid Lyons (*590) | 550 | 55 | 63 | 72 | 6½ | 20 | 27 |
| | 600 | 21 | 35 | 45 | 26 | 44 | 51 |
| Storehouse (*188) | 180 | 18 | 25 | 30 | 8 | 16 | 18 |
| | 200 | 9 | 16 | 22 | 19 | 26 | 29 |
| Trafalgar (*77) | 70 | 10 | 14 | 17 | 3 | 6 | 6½ |
| | 80 | 6 | 9½ | 11½ | 7 | 12 | 15 |
| Utd. Biscuits (*348) | 330 | 26 | 29 | 35 | 12 | 18 | 24 |
| | 360 | 7 | 15 | 22 | 31 | 36 | 40 |
| Unilever (*1144) | 1100 | 61 | 81 | 101 | 20 | 36 | 42 |
| | 1150 | 38 | 51 | 71 | 45 | 62 | 68 |

| Option | | Calls Feb | May | Aug | Puts Feb | May | Aug |
|---|---|---|---|---|---|---|---|
| Brit Aero (*245) | 240 | 15 | 28 | 41 | 8 | 27 | 36 |
| | 260 | 4½ | 25 | 31 | 22 | 41 | 48 |
| BAA (*770) | 750 | 24 | 51 | 62 | 4 | 21 | 33 |
| | 800 | 2 | 26 | 36 | 32 | 46 | 59 |
| Barclays (*430) | 420 | 22 | 33 | 43 | 18 | 29 | 39 |
| | 460 | 6½ | 16 | 25 | 47 | 53 | 63 |
| Blue Circle (*215) | 200 | 23 | 29 | 35 | 6½ | 14 | 20 |
| | 220 | 11 | 18 | 25 | 16 | 29 | 34 |
| British Gas (*291) | 280 | 18 | 22 | 26 | 4 | 11 | 15 |
| | 300 | 7 | 11½ | 17 | 13 | 23 | 25 |
| Dixons (*217) | 200 | 24 | 33 | 37 | 5 | 11 | 16 |
| | 220 | 12 | 22 | 27 | 12 | 19 | 26 |
| Eurotunnel (*466) | 460 | 30 | 50 | 70 | 21 | 36 | 47 |
| | 500 | 15 | 33 | 51 | 45 | 60 | 69 |

17 February Total Contracts 32,790
Calls 16,707 Puts 16,083
FT-SE Index Calls 6,165 Puts 8,421
Euro FT-SE Calls 191 Puts 1,225
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

### FT-ACTUARIES FIXED INTEREST INDICES

| | PRICE INDICES | Wed Feb 17 | Day's change % | Tue Feb 16 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years (24) | 129.12 | -0.05 | 129.18 | 1.59 | 1.72 |
| 2 | 5-15 years (22) | 147.98 | -0.03 | 148.62 | 1.53 | 2.61 |
| 3 | Over 15 years (8) | 155.79 | +0.10 | 155.63 | 1.17 | 1.80 |
| 4 | Irredeemables (6) | 177.07 | +0.24 | 176.64 | 3.16 | 0.00 |
| 5 | All stocks (60) | 144.20 | -0.01 | 144.51 | 1.53 | 2.16 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years (2) | 183.49 | -0.06 | 183.60 | 0.00 | 1.51 |
| 7 | Over 5 years (12) | 170.29 | +0.04 | 170.21 | 0.58 | 0.87 |
| 8 | All stocks (14) | 170.89 | +0.03 | 170.84 | 0.51 | 0.96 |
| 9 | Debs & Loans (61) | 126.40 | +0.06 | 126.32 | 1.81 | 1.86 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Wed Feb 17 | Tue Feb 16 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 6.38 | 6.35 | 8.58 |
| 2 | Coupons | 15 years | 7.84 | 7.85 | 9.14 |
| 3 | (0%-7¾%) | 20 years | 8.17 | 8.19 | 9.14 |
| 4 | Medium | 5 years | 6.98 | 6.95 | 9.38 |
| 5 | Coupons | 15 years | 8.36 | 8.36 | 9.22 |
| 6 | (8%-10¾%) | 20 years | 8.53 | 8.54 | 9.18 |
| 7 | High | 5 years | 7.16 | 7.15 | 9.61 |
| 8 | Coupons | 15 years | 8.63 | 8.63 | 9.32 |
| 9 | (11%-) | 20 years | 8.71 | 8.71 | 9.25 |
| 10 | Irredeemables (Flat Yield) | | 8.64 | 8.67 | 9.34 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 1.95 | 1.93 | 3.62 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.53 | 3.53 | 4.28 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 1.06 | 1.03 | 2.92 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.33 | 3.33 | 4.09 |
| 15 | Debs & Loans | 5 years | 8.65 | 8.63 | 10.86 |
| 16 | | 15 years | 9.47 | 9.47 | 10.62 |
| 17 | | 25 years | 9.68 | 9.68 | 10.45 |

# RTZ shares fall on warning of £52m provision

By Kenneth Gooding, Mining Correspondent

SHARES in RTZ, the world's biggest mining company, fell yesterday after it revealed that its 1992 results would include exceptional charges totalling £52m.

The share price dropped 20p in early trading but later recovered to close at 651p, down 5p.

RTZ said low metals prices were forcing it to curtail operations at its 54 per cent owned Greens Creek mine in Alaska, which produces zinc and lead and is the biggest silver producer in the US.

About 230 employees are affected.

The group said it hoped to resume operations at Greens Creek when economic conditions improved but meanwhile it would make a provision of $48m (£32m) after tax against the book value of its investment in the mine.

Greens Creek cost $114m and started up as recently as 1989. Last year it produced 6.979m troy ounces of silver, 36,800 tonnes of zinc and 15,100 tonnes of lead – less than 1 per cent of the lead and zinc mined last year in the world outside the former eastern bloc countries.

RTZ also revealed that Indal, its wholly owned Canadian subsidiary which is active in a broad range of North American construction-related markets, had been badly hit by the recession and, after exceptional restructuring costs of C$38m (£20m), recorded an after-tax loss for 1992 of C$58m.

The group said it would be publishing 1992 results next month on the basis of the new financial reporting standards and would treat both charges as exceptional items.

RTZ reported net attributable profits of £308m for 1991 after a £74m exceptional charge for replacing its copper smelter at Bingham Canyon, Utah.

# Mersey Docks 24% higher at £16.4m

By Ian Hamilton Fazey, Northern Correspondent

MERSEY DOCKS and Harbour reported a third successive record year for 1992, with pre-tax profits up 24 per cent from £13.2m to £16.4m.

Turnover showed a similar increase to £86.4m, against £69.5m.

Tonnage through the port was up 12 per cent at 27.8m tonnes (24.74m tonnes), partly a result of the company taking over Coastal, an Irish Sea container line, in 1991.

Improved margins reflected tight cost control, plus benefits from joint ventures or subsidiaries in shipping services, stevedoring, security, management consultancy and warehousing.

Earnings per share were 18.01p (16.98p). A proposed final dividend of 5p brings the total to 7.5p (6p).

Although 1992 was the first year in which the company faced a full tax charge, Mr Bill Slater, chairman, said earnings compared well with the last tax-free year of 1990, when the figure was 17.92p.

There was no contribution from property development, although sales of land and shares in subsidiaries amounted to £1.59m. This was offset by severance costs and exceptional maintenance on the Port of Liverpool Building totalling £1.58m.

The results, together with the return to a full tax charge, marked the end of 22 years of reconstruction following the government's rescue of the old Mersey Docks and Harbour Board which came close to defaulting on its bonds in 1970.

The rescue forbade dividends while the company owed the government money, but the government wrote off £111.5m of repayable grants and loans – used for modernisation – in 1989.

The company now employs 1,640 people – fewer than half of them dockers, compared with 7,000 dockers in the mid-1970s.

Mr Slater said the government, the biggest shareholder, had told the company it had no immediate plans to sell its 20.67 per cent stake.

Mr Trevor Furlong, managing director, said Mersey Docks was still looking to buy an east coast port that would provide synergy at the European end of a UK land bridge. Liverpool is now a principal hub for transatlantic, Irish, Mediterranean and West African cargoes.

Development within Mersey Docks includes PowerGen's £40m coal terminal, which starts working this year, and a new timber products warehouse. A euro rail terminal for the Channel Tunnel is complete, as is a business park in Birkenhead.

# Out of favour with US institutions

**Peter John looks at the depressed state of the share prices of UK drug makers**

UK pharmaceuticals stocks are more than out of favour with the big US institutions.

From late last year, when the US began to scent economic recovery and jitters developed over President Clinton's administration plans for health reform, the whole sector has been shunned.

With the added pressure on sterling-based stocks of a 30-cent fall in the pound against the dollar since last autumn, UK stocks have become increasingly less popular.

The three UK drug companies with significant exposure to the US – Glaxo, Wellcome and SmithKline Beecham – have regularly seen their share prices pick up in the morning in London only to fall back when trading begins on Wall Street.

Since the close of trading on November 3, the date of the US presidential election, Glaxo's share price has dropped more than 170p to 662p, Wellcome has fallen almost 100p to 898p and SmithKline A shares have fallen by the same amount to 439p.

In contrast, the FT-SE 100 has risen more than 100 points.

Although currency shifts cloud the issue the falls in the UK drug stocks have been broadly in line with those of their US counterparts.

Over the past three months Glaxo has dropped 26.6 per cent against the S&P Composite index, SmithKline 23.8 per cent and Wellcome 15.4 per cent. Meanwhile, Merck has lost 19.3 per cent, Pfizer 23.8 per cent and Lilly 17.8 per cent.

Of the three UK groups, Wellcome generates the highest amount of business in North America but has the lowest exposure to the US stock market. Some 43 per cent of turnover and 49 per cent of profits come from the region although only 6.05 per cent of the company's shares, about 52m, were held in the form of American Depositary Receipts at the last official announcement in December.

Subsequently, the stake has fallen by about 2m shares but the company argues that it is not exposed to the threats faced by the industry, particularly the call for price cuts. "Historically we haven't particularly been reliant on price increases but volume growth," says Wellcome's Mr Mike Wort.

SmithKline has the biggest exposure to the US in share terms, about 27 per cent, and believes that the ADR holding has fallen by about 0.5 per cent, or some 56m shares, over the past three months. The company generates about 40 per cent of sales in the US and is heavily exposed to the managed health care sector which is one of the principal targets for the Clinton reform.

It is also the only one among the three companies to manufacture in Puerto Rico. There is a belief that President Clinton will cut back existing tax breaks for companies operating there. Finally SmithKline's main drug, Tagamet, comes off patent next year.

The greatest sufferer in share price terms has been Glaxo. The company generates about 38 per cent of sales in the US where, at the last official count in November, 23.8 per cent of its shares were held as ADRs in New York.

The company was hesitant of commenting on the falls ahead of today's announcement of full year profits and is avoiding the temptation to jump the gun on the Clinton price reforms.

Nevertheless, the political changes in the US only add to worries in some quarters that Glaxo is too much of a one-drug company and until some new products are flushed through the research and development pipeline the shares could remain under pressure.

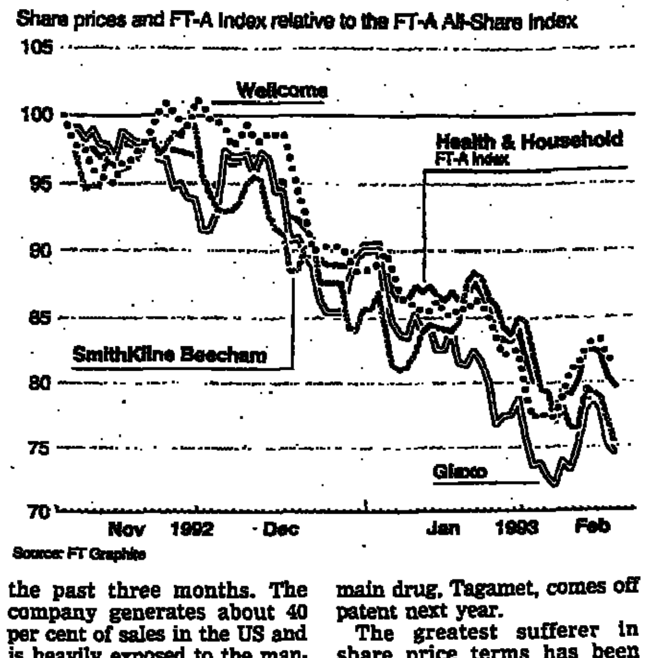
However, Mr Jonathan Gelles, of Wertheim Schroder in New York, argues that concerns over Zantac and, indeed, over the group as a whole, are overdone. "We believe that, at these levels, the sector is basing out very firmly indeed and investors should be taking major positions. The wise man should be buying Glaxo and Wellcome," he said.

An interesting point is that the ADR listings of the three companies do not appear to have changed as greatly as the widespread US selling would indicate.

One reason for this is the trickle-down effect of small retail investors picking up stock offloaded by the big institutions.

Also, in the UK where the attitude to the sector is more positive, some institutions have been buying via the ADRs.

Share prices and FT-A index relative to the FT-A All-Share Index




Source: FT Graphite

# Owners Abroad renews its attack on Airtours' bid

By Richard Gourlay

OWNERS ABROAD yesterday launched its most robust defence against the hostile £215m bid from rival Airtours, claiming the smaller group was exaggerating the quality of its management.

Owners Abroad said that not only did the Airtours shares included in the offer undervalue the group, they would also leave Owners Abroad shareholders with an interest in a group that was facing fundamental problems with its own business.

The latest defence, delivered in a letter to shareholders, comes days before the Office of Fair Trading is to recommend to the trade and industry secretary whether the Airtours bid should be referred to the Monopolies and Mergers Commission.

Owners focuses particularly on Airtours' relatively new Airtours International aircraft operation. It accuses Airtours of choosing a September end for its financial year in order to inflate profits.

It asked whether Airtours chose its year end just before "empty legs" are flown – the flights at the end of the holiday season when aircraft pick up passengers from resorts but carry none out. In this way Airtours was able to take the profit from the holidays sold but defer the cost of the empty legs as long as it was adding passengers year on year.

Owners Abroad also said that part of the huge increase in Airtours' profits resulted from additions to the aircraft fleet.

As long as Airtours was adding aircraft to its fleet just before the summer – as it has been doing – it would each year take the benefit of a greater number of profitable summer aircraft than loss-making winter aircraft.

Owners asked what would happen once Airtours' fleet size had stabilised. The document asked whether Airtours was trying to buy its way out of trouble. It questioned whether recent Airtours' approaches to other tour operators such as Cosmos, Aspro, Iberotravel, and Unijet, represented a clearly defined strategy for growth "or just a desperate need to buy almost anything with a meaningful market share in an attempt to bolster volume".

Owners Abroad also released its annual report and accounts, which revealed that net asset value had risen only £700,000 in the year to October, in spite of pre-tax profits of £25.5m.

The difference was the result of a more conservative treatment of goodwill in connection with the 1991 acquisition of Olympic Holidays.

The accounts also revealed that the highest paid Owners Abroad executive earned £418,000 and the chairman earned £364,000 during the year, some of it in respect of the two previous financial years.

# GPG buys Brown Shipley stake

By Jane Fuller

THE SMOOTH passage of Brown Shipley Holdings, the investment and broking business, into the arms of its largest shareholder was called into question yesterday when it was disclosed that Guinness Peat Group had bought shares at above the offer price.

GPG, the UK investment vehicle for Sir Ron Brierley, the New Zealand entrepreneur, has bought a 7.5 per cent stake in BSH. The last purchase of shares was at 33p, which is 3p above Kredietbank Luxembourgeoise's offer. KBL already owns 29.8 per cent of the equity.

The move by GPG was welcomed by one shareholder who said it was proving difficult to decide whether KBL's offer was adequate.

BSH's share price gained 2p to close at 35p.

GPG would only say it had taken the stake for investment purposes. In last November's document accompanying the lifting of a near-two-year suspension of its shares, it said it planned to identify opportunities for acquisition and investment particularly in the UK "to achieve a more even balance between the level of investment in Europe and Australasia."

Two weeks ago BSH's board reluctantly recommended KBL's offer, which values the group at £4.8m against net assets of £8.1m.

The sale appeared a forced one because KBL was about to pass on claims of up to £2.4m arising from its purchase of Brown Shipley & Co, the merchant bank, last year.

When news of the claims and KBL's potential offer broke, BSH's share price fell from 51p to 35p.

# Boots sets date for US launch of heart drug

By Maggie Urry

BOOTS, the retail and pharmaceutical group, said yesterday that it would launch Manoplax, its new drug for congestive heart failure, in the US on March 29.

The company's shares rose 6p to 491p.

The drug, which is expected to be a significant profit earner for Boots' pharmaceutical business through the 1990s, won approval from the US Food and Drug Administration on December 31.

It was launched in the UK last September, after gaining a product licence in August. In November Boots said that marketing costs relating to Manoplax had reached £8m in the first half of the financial year to September 30, and would continue at or above that level in the second half.

Boots agreed a co-marketing deal with Parke-Davis, part of Warner-Lambert, the US drug company, in July 1991 which will cover Manoplax in the US. About 3m Americans suffer from congestive heart failure and 400,000 new cases are diagnosed each year.

Under the FDA approval, Manoplax is indicated in patients not responding to or unable to tolerate other treatments. It is hoped that later Manoplax will be used more widely.

The drug is manufactured in the UK but packaged in the US. Boots is already building up supplies to the US market. It has a fairly limited use at present

The price of the drug in the US will be in line with the UK price, at $60 (£42) for 30 50mg or 75mg tablets and $120 for 60 100mg tablets.

# Control Securities talks continue

By Maggie Urry

CONTROL Securities, the property, brewing and hotels group which is currently negotiating a refinancing deal with its banks, will today announce interim results up to the end of last September.

It will also call an extraordinary meeting of shareholders to ask authority for the board to continue negotiations with banks and creditors.

The group had hoped to be able to agree terms of the refinancing by the end of this month and put them to shareholders.

However, negotiations appear to be taking longer than expected, although people involved stressed this was not necessarily a bad sign.

The shares have been suspended since October 1991, when the group's offices were raided by the Serious Fraud Office in connection with the investigation into the Bank of Credit and Commerce International.

Control was not under investigation, but Mr Nazmu Virani, its former chairman and chief executive, was arrested in March last year in connection with BCCI.

Control also said yesterday that the liquidators of BCCI now controlled, and would be able to vote, 14.9 per cent of Control shares.

BCCI had had a 5.2 per cent stake in Control and other holdings totalling 9.7 per cent had been pledged to the bank. Some of these other shares are understood to have been owned by the Virani family.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Mersey Docks ........fin | 5 | May 14 | 4 | 7.5 | 6 |
| New Zealand Inv .....int | 0.5‡ | Apr 2 | 0.5 | - | 2.1 |
| North Amer Gas ......int | nil | - | 1.125 | - | 2.25 |
| Throgmorton Tst .....fin | 1.4 | Apr 2 | 1.4 | 2.3 | 2.3 |
| Vardon ....................fin | 0.5† | May 7 | - | 0.75 | - |

Dividends shown pence per share net except where otherwise stated. ‡First interim.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- English & Overseas Properties, Exeter Pref Capital Inv Trust, Kleinwort Benson, Leslie Wise, Newmarket Venture Capital, Ward Holdings.

Finals- Alumasc, Glaxo, SWP.

FUTURE DATES

| | |
|---|---|
| Interims- | |
| Channel Holdings | Feb 22 |
| Consolidated Plantations | Mar. 4 |
| Norex | Mar. 2 |
| Primadona | Feb. 24 |
| Finals- | |
| Baldwin | Feb. 22 |
| Bank of Ireland | May 13 |
| Grafton | Mar. 2 |
| Higgs & Hill | Apr. 7 |
| Latin American Inv Tst | Mar. 5 |
| Merlin Intl Green Inv | Feb. 26 |
| Micro Focus | Feb. 25 |
| Nurdin & Peacock | Apr. 7 |
| Spring Ram | Mar. 22 |
| Trencherwood | Feb. 18 |

## Shoprite placing result

Shoprite Group announced that of 1.56m new shares offered through placing and open offer, 949,646 were placed firm with institutional investors. Of the balance of 613,966 shares, shareholders applied for 535,325 shares. The remainder have been taken up by institutional clients of Credit Lyonnais Lang.

COMPANY NEWS: UK

# Wimpey to reorganise land bank structure

By Andrew Taylor, Construction Correspondent

GEORGE WIMPEY is to reorganise the way in which it buys building plots in an attempt to avoid the mistakes of the late 1980s when housebuilders were left with large amounts of overpriced land.

The group, Britain's second largest housebuilder, announced yesterday that it was to establish a new subsidiary which would be responsible for making long term land acquisitions.

The company will take over Wimpey's existing long term land portfolio of more than 2,000 acres and sell the sites on to the group's 10 regional housebuilding subsidiaries as required.

It will also be expected to generate profits from selling sites to other housebuilders and earn fees from managing greenfield sites by taking land owned by outsiders through the planning process to the point of development.

Mr Joe Dwyer, Wimpey's chief executive, said the group's housing division would be expected to monitor its success by measuring return on capital.

Traditionally, UK housebuilders have evaluated their performance simply by taking the cost of land and building and deducting this from the sale price of a home to arrive at a gross margin. Little heed was paid to the cost of holding land.

This approach worked while high inflation ensured that house and land prices enjoyed unbroken increases throughout the 1970s and for most of the 1980s. As a result shares of housebuilders with large tracts of land, acquired many years earlier at low prices, were often more highly valued than those working on short duration land banks.

Housebuilders, however, were caught badly at the end of the 1980s when house and land prices fell steeply, forcing Wimpey and others to make substantial provisions against land bought at the top of the market.

Wimpey's housebuilding subsidiaries will, in future, be expected to base land purchases on foreseeable production and house prices. The new subsidiary, which Mr Dwyer says will work under tight financial disciplines, will provide a reservoir of longer term land for the group, which expects to build more than 6,000 homes in the UK this year.

The plan is the work of Mr Richard Andrew, a former executive director of Scandinavian Bank in the UK, who last year was appointed chairman and chief executive of Wimpey's housebuilding division.

Mr Dwyer said yesterday that it was an unusual appointment but that it was felt that a banker would bring the appropriate financial experience to an area where asset management, increasingly, was the key to profitability.

# Vardon beats forecast and buys seal sanctuary for £2m

By Paul Taylor

VARDON, THE leisure attractions group which runs the London Dungeon, the York Dungeon and the Sea Life Centres, is acquiring Seal Sanctuary in Cornwall for £1.8m in cash and paper.

Separately the group, which obtained its Stock Exchange listing in October, reported full year pre-tax profits ahead of flotation forecasts.

The seal sanctuary at Gweek, on the banks of the Helford river, was set up in 1973 and is a profitable visitor attraction based on the rescue, care and release of injured seals.

It attracts more than 300,000 visitors a year and, after charging interest and non-recurring items of £251,000, reported pre-tax profits of £124,000 in the year to end February 1992.

Together with two new Sea Life centres being built in Southend-on-Sea, Essex, and Scheveningen in the Netherlands, which are due to open later this year, the acquisition of the Gweek sanctuary will increase Vardon's operating attractions from 11 to 14.

Vardon's pre-tax profits in the year to December 31 reached £2.43m, compared with a flotation forecast of £2.29m, and £797,000 in the previous year.

Turnover increased by 28 per cent to £9.73m (£7.62m). The acquisition of Sea Life has been accounted for as a merger, while the results of the Dungeons are included from their acquisition at the end of March last year.

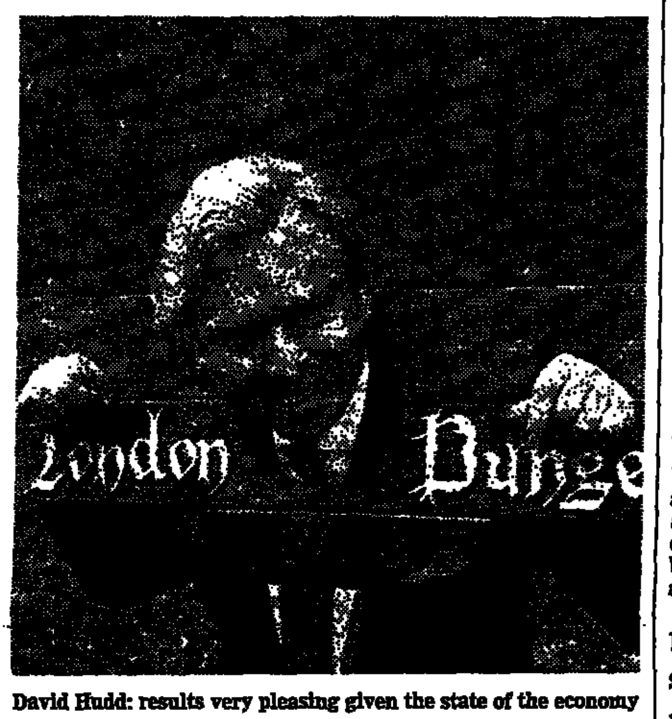
Vardon acquired the Dungeons for £5.8m from Kunick after Mr David Hudd, chairman, and Mr Nickolas Irens, chief executive and former finance director of First Leisure, joined the board of Winchmore, restructured the company and changed its name.

The latest results include £171,000 (£34,000) of investment income and a £273,000 extraordinary charge related to the cost and losses of the sale of Headley Agencies.

Earnings per share of 4.2p were 5 per cent ahead of forecast and the company is paying a final dividend of 0.5p, making a total of 0.75p for the year.

Mr Hudd said the results were "very pleasing" given the state of the economy.

Visitor attendances during the year totalled 2.9m, a 6 per cent increase on a like-for-like basis.

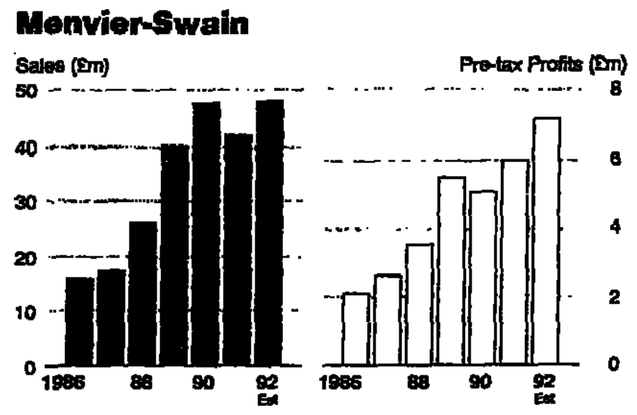


David Hudd: results very pleasing given the state of the economy

# Rapid development for a bright idea

## Andrew Bolger looks at Menvier-Swain's growth


Roger Fletcher: group will consolidate for the next year




SAFETY LIGHTS are poised to go on all over Europe, thanks to rapid expansion by Menvier-Swain Group, a USM-quoted company based in Banbury, north Oxfordshire.

Menvier, which also makes fire and security alarms, is the leading UK supplier of emergency lighting for commercial and industrial premises, with 30 per cent of the British market. Its latest French acquisition, Nugelec, was funded this month by a £9m rights issue, and expands the group's European network, which stretches from Denmark to Portugal.

Since being floated in 1986, Menvier's market capitalisation has grown from £13.3m to £82.8m. Pre-tax profits were £1.64m on sales of £12m post-flotation, and analysts now expect the group to make pre-tax profits of about £7.3m on sales of £51m in the current year to April.

The success represents the fulfilment of a youthful dream by Mr Roger Fletcher, 44, the group's chief executive. While studying electronics at Southampton University in the late 1960s he became friends with an electrical engineering student, Mr Christopher Swain, whose father Charles had built up an electrical contracting business in Banbury.

Mr Fletcher said: "Like all students, Christopher and I used to sit up late at night drinking coffee and making plans. I always wanted to branch out on my own."

Instead, Mr Fletcher joined Marconi and worked for five years on defence-related electronics. His opportunity came in 1975, when the Swains approached him and said they could not obtain a decent emergency light.

The Swains invested £2,000 and Mr Fletcher started working, assisted by two women, in the attic of one of the stores. Together they developed a converter enabling a florescent light to switch to battery back-up after an electricity failure – a product which gave the group eventual leadership of the UK market.

In 1988, Menvier bought Blessing Electronics, a Netherlands emergency lighting group, and has since made acquisitions in France, Portugal, Denmark, Greece and Italy. Most of the deals have been relatively small, although the group's first French acquisition, Luminox, was funded by a £6.6m rights issue in 1989.

Menvier turned to Europe, both because it saw limited scope to increase market share in the UK, and because the unified European market seemed to offer exceptional opportunities. EC directives require all new buildings to be fitted with adequate emergency lighting from this year, and all existing buildings in northern Europe will need to be upgraded before the end of 1995, with Greece and Portugal being allowed a further two years to upgrade.

Not all Menvier's overseas ventures have been successful. In 1987 it bought a Boston-based emergency lighting company, but sold it in 1991, having lost about £700,000 in what Mr Fletcher now characterises as a useful – if expensive – learning process.

"We thought we knew better than all the other British companies who have had their fingers burnt in the States. Over there, all people seemed to be interested in was the price of our product, whereas in Europe people are more interested in whether it will do the job."

The Boston company was a loss-maker, and Menvier has since then avoided turnrounds. Instead, it has concentrated on buying profitable European companies with good market positions, offering the vendors earn-out agreements and shares in the UK group.

Mr Fletcher said Menvier tried to impose very light controls on its subsidiaries at the operating level, although all must file weekly reports of sales, cash and stocks. Each country's regulations differ, requiring particular product adaptions, and Menvier allows individual subsidiaries to keep their own names and choose whether to identify with the group.

Although the bulk of Menvier's business still comes from emergency lighting, the group is expanding its fire alarm activity and has identified security alarms as the "third layer" which it has started to move into.

Menvier's share price has tripled since early 1991, as institutions have supported the group's overseas strategy and welcomed the increasing liquidity of the stock. Mr Christopher Swain, who emigrated to Australia two years ago, sold his near-20 per cent stake. His father, who last year stepped down from being executive chairman to become life president, placed a 16.7 per cent stake this month, but still holds 3 per cent.

Analysts like the company, which now employs about 1,000 people, but are concerned that the spread of its activities might stretch management resources. Menvier has recognised the concern, and said the group would concentrate for the next year on consolidation, rather than further acquisitions.

Mr Fletcher, who has been national champion of the UK's most powerful class of powerboats for three of the last four years, believes that Menvier can continue to make headway against the tides of recession. More than half the group's business comes from continental Europe, and he is even growing more optimistic about the UK: "We are at last seeing clear signs of recovery."

## NEWS DIGEST

### Hammerson property disposal

HAMMERSON Property Investment & Development has sold Lonsdale Chambers, Chancery Lane, London, to overseas investors for £21m.

The property was refurbished in 1984 and provides about 60,000 sq ft of office accommodation and 10,000 sq ft of retail space. Top rents in the building, which is let to 15 tenants, are £40 per sq ft.

### URS Intl shares suspended at ½p

URS International, the US professional services group which is quoted on the Unlisted Securities Market, yesterday called a halt to dealings in its shares at ½p.

The company said that this decision was taken pending an announcement of an acquisition and fund raising.

A further statement, including the preliminary announcement of the company's results for the year 1992, will be made in due course.

### Throgmorton Trust net assets decline

The fully diluted net asset value per share of Throgmorton Trust was 57.8p at November 30 1992, against 70.2p a year earlier.

Net revenue for the 12 months fell from £7.44m to £6.68m for earnings per share of 2.35p (2.63p). The recommended final dividend of 1.4p maintains the total for the year at 2.3p.

Lord Stewartby, chairman, said that although there had been a significant improvement in the past two months – net assets per share had risen to 71.4p by January 31 – the figures for the past year related to a period of almost unprecedented turbulence and difficulty for the financial markets.

During the summer there had been a serious loss of confidence, with a consequent weakening of UK investment values, the chairman said.

However, since September, the combination of lower interest rates and more competitive exchange rates had improved the outlook for the economy.

There were now clear signs of positive interest in smaller companies, and the reduction in the value of the trust's portfolio last year had, by the end of January, been more than recovered.

### Dispute over Etonbrook stake

Etonbrook Properties, the development and dealing group, said yesterday that there had been a dispute as to the beneficial entitlement to 373,000 shares, some 9.74 per cent of its ordinary equity, currently registered in the name of Palmerston Investment Trust.

Etonbrook had received a notice from Mr Andrew Perloff, which seeks to prevent the registration of the transfer of these shares to any other parties.

The company understood that the reason for the notice was that a group of existing shareholders, including Mr Keith Moss, managing director, believed that they were entitled to these shares.

### Booker makes £4m health food disposal

Booker, the food group, has sold Brewhurst Health Food Supplies to a subsidiary of Distriborg, a health food wholesaler based in Lyon, for about £4.1m.

In 1991 Brewhurst made pre-tax profits of £600,000 on turnover of £26.9m. Net assets at December 31 were £3.9m, excluding intra-group liabilities.

The sale completes Brooker's withdrawal from health foods.

The group also announced that the functions of Booker Cash and Carry and Booker Wholesale Foods were to be brought together under a single board.

### New Zealand Trust net assets jump

The New Zealand Investment Trust, managed by Colonial Mutual Life Assurance, saw net assets per share leap to 149.7p at January 31.

The figure represented a substantial increase on the net asset value of 89.3p 12 months earlier. The value at the trust's year-end in October was 130.73p per share.

Net revenue for the three months to end-January amounted to £69,424, up from £62,141 at the same stage last time. Earnings per share emerged at 0.69p (0.62p); an unchanged first interim dividend of 0.5p is declared.

### Baring Tribune net assets rise

Net asset value per share of Baring Tribune Investment Trust stood at 318.7p at December 31, an improvement of 44.8p over the figure 12 months earlier.

Available revenue totalled £3.21m (£3.23m), equal to earnings of 6.27p (6.29p) per share.

A final dividend of 4.75p makes a 6.45p (6.2p) total.

### Low & Bonar sells African interests

Low & Bonar, the packaging and materials group, has concluded the sale of its remaining African businesses in South Africa, Zimbabwe and Zambia.

The sale proceeds amounted to £1.5m, of which £1.1m was paid on completion with the balance payable over the next three years.

The disposal will result in a £1.2m write-down which will be fully provided for as an exceptional item in the results for the year to November 30 1992.

### Fleming Emerging may increase size

The Fleming Emerging Markets Investment Trust is considering, with its advisers, a placing and offer of additional shares to increase its size.

Any raising of additional capital will be structured so as to ensure there is no dilution of the net asset value of the existing shares.

### Reduced deficit at Aminex

Aminex, the Irish oil exploration and production company, reduced its loss after exceptional items from I£4.28m to I£86,307 (I£68,690) for the year ended December 31 1992.

Revenue fell from I£781,031 to I£286,415. Losses per share tumbled from 63p to 0.01p.

The results were brought forward to include the latest information on the company's bid for Tuskar Resources.

### North American Gas assets up 37%

North American Gas Investment Trust reported a net asset value of 80.5p as at January 31 – a rise of 37 per cent on the comparable 58.6p.

Net revenue for the six months to end-January improved from £330,000 to £365,000, equivalent to earnings of 1.04p (0.94p) per share.

Nevertheless, and as foreshadowed in the trust's annual report, the interim dividend is omitted (1.125p). Directors have stated that "emphasis this year must be on capital growth".





### PUBLIC WORKS LOAN BOARD RATES

Effective February 16.

| Years | Quota loans* EPT† | ATT†† | maturity§ |
|---|---|---|---|
| 1 | | | 5¾ |
| Over 1 up to 2 | 5⅞ | 5⅞ | 6¼ |
| Over 2 up to 3 | 6⅛ | 6⅛ | 6⅝ |
| Over 3 up to 4 | 6⅜ | 6⅜ | 7 |
| Over 4 up to 5 | 6⅝ | 6⅝ | 7⅜ |
| Over 5 up to 6 | 6¾ | 6⅞ | 7¾ |
| Over 6 up to 7 | 6⅞ | 7 | 8 |
| Over 7 up to 8 | 7⅛ | 7¼ | 8⅜ |
| Over 8 up to 9 | 7¼ | 7½ | 8⅝ |
| Over 9 up to 10 | 7½ | 7⅝ | 8⅞ |
| Over 10 up to 15 | 8⅜ | 8¾ | 9½ |
| Over 15 up to 25 | 9¼ | 9½ | 9¾ |
| Over 25 | 9⅝ | 9¾ | 9¾ |

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest) § With half-yearly payments of interest only.

# China invites explorers to prime oil areas

By Tony Walker in Beijing

AFTER YEARS of procrastination China yesterday invited foreign oil companies to explore in promising onshore areas, including the vast Tarim basin in the country's remote north-west.

Mr Wang Tao, president of the China National Petroleum Corporation, said yesterday that exploration bids for five blocs covering 72,730 square km (28,000 square miles) in the south-eastern sector of the Tarim basin would be called in March. There would be a second round of bidding for additional acreage by early next year, he said.

Worries about flagging domestic production – China may become a net importer by 1995 – and the need to speed exploration in remote areas apparently dispelled lingering reservations about opening up territory to foreign explorers. The booming economy – GNP growth reached 12 per cent last year – is putting added strain on dwindling oil reserves.

Oil company representatives welcomed China's decision to open its "wild west" to exploration – Shell and BP in particular expressed strong interest – but they indicated caution about commiting resources to such a remote region. Transporting oil to the coast would require a 2,000 km pipeline across some of the world's roughest terrain. Many offshore explorers had their fingers badly burnt in China in the 1980s. A representative of Australia's BHP Petroleum noted ruefully yesterday that the company had drilled 28 dry wells in the Yellow Sea and the Pearl River Delta.

China had previously allowed foreign participation in onshore exploration, but restricted this to relatively unpromising areas in 11 southern provinces. The extension of foreign exploration leases to northern and western regions is certain to excite considerable explorers' interest.

Based on fairly sketchy seismic data, China claims that the Tarim basin contains massive reserves of perhaps more than 100bn barrels. Even if only a fraction of such deposits are recoverable at reasonable cost the region would become one of the world biggest oilfields.

Mr Wang Tao also announced the opening of existing oilfields to foreign participation. China's "mature" fields face increasing difficulties maintaining production without sophisticated enhancement techniques. China at present produces about 2.8m barrels a day and its exports are hovering around 400,000 b/d. The country ranks sixth in the world in oil production.

# Exxon expects Indonesian gas deal to be signed soon

By William Keeling in Jakarta

AN AGREEMENT to develop the giant Natuna gas field in the South China Sea between Exxon Corporation of the US and the Indonesian government could be signed by the end of March, according to an Exxon official in Jakarta.

In a recent report the World Bank estimated that the field contained 40 trillion (million million) cubic feet of proven and probable natural gas reserves mixed with about 70 trillion cu f of carbon dioxide. Industry officials say the field will cost $16bn-$19bn to develop due to the technical difficulties of separating the natural gas from the carbon dioxide.

Gas from the field would be processed into liquefied natural gas. Indonesia is at present the world's largest producer of LNG, exporting over 22m tonnes last year to Japan, Taiwan and South Korea.

The Indonesian government and Exxon have agreed financial terms for Natuna's development, the Exxon official said. But he declined to give further details. Industry officials say fiscal terms would include cost recovery and taxation terms.

Further discussions are likely to cover technical and environmental matters, including methods for disposing of the carbon dioxide. One proposal is to reinject the carbon dioxide into limestone reefs, but this may necessitate an expansion of the project's acreage.

Exxon has a 50 per cent stake in the field with Pertamina, Indonesia's state-owned oil and gas company, holding the remainder. Industry officials say Pertamina may be unable to fund its share of development costs and be forced to reduce its stake or offer incentives for Exxon to increase its own financing burden.

The World Bank report attaches "critical importance" to the development of the Natuna field for the future of Indonesia's LNG industry. About 12m tonnes of LNG a year is being produced from Pertamina's Arun plant in North Sumatra but half its contracts expire in 1999 and reserves are running low.

The Natuna field could supply about 14m tonnes of LNG a year, more than compensating for the reduction from the Arun plant.

Any agreement signed next month, however, would not guarantee the project's go-ahead, officials stress. Before the field could be developed, between 20 and 30 agreements need to be reached with suppliers, banks, shippers and LNG purchasers.

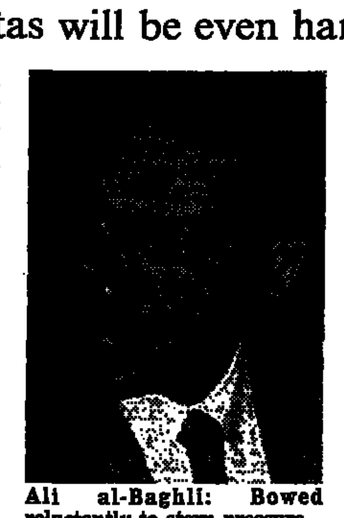
Industry officials say the field would take about eight years to develop before first production and would entail more than 700,000 tonnes of offshore platforms and facilities and nearly 1,000 km (620 miles) of pipelines.

# Fragile Opec deal leaves credibility gap

## Sticking to quotas will be even harder than agreeing them, writes Mark Nicholson

ALTHOUGH IT proved harder for the Organisation of Petroleum Exporting Countries to reach its agreement on second quarter output than most member countries had expected, the hardest part is still to come: sticking to it.

By the time ministers gathered in Vienna last Saturday, the oil market had already discounted the main elements of the deal reached late on Tuesday. Strong signals from Saudi Arabia and Iran during a pre-meeting tour by Mr Alirio Parra, the Opec president, that they wanted to remove at least 1m b/d from the cartel's first quarter ceiling of 24.58m b/d had added more than $1.5 to the price of a barrel.



Ali al-Baghli: Bowed reluctantly to stern pressure.

Opec will largely succeed in its aim of shoring up prices, therefore, if it can hold that premium. But this will rely entirely upon member countries holding hard to their respective allocations and actually delivering a ceiling of 23.58m b/d from March 1 – thus taking 1.4m b/d off the market, given Opec's leakage earlier in the year.

Saudi Arabia, the architect of the deal, and Iran both said in Vienna that they would immediately begin notifying customers of their allocated cuts under the agreement – statements the cartel's two biggest producers hoped might add some credibility to the Vienna deal. The kingdom has said it will cut by 400,000 b/d to 8m b/d, while Iran is to trim to 3.34m b/d from 3.49m b/d.

Industry analysts attending the meeting were unanimous that the agreement would offer real support to prices only once it became clear in mid-March if Opec members were keeping their word. Several suggested that even with some leakage, perhaps to a real output figure of 23.7m b/d or even 23.8m b/d, prices might still find support. European traders did not seem impressed yesterday, however, and nearby prices for Brent crude slipped back below $18 a barrel.

The agreement's fragility was signalled clearly by Mr Ali al-Baghli, the Kuwait oil minister. After having bowed with enormous reluctance and only after four days of stern pressure from Saudi Arabia and Iran to cut Kuwaiti production to 1.6m b/d for the second quarter, he said: "I'm going to watch this market; and any additional barrel or two and I am at liberty". If there was any cheating elsewhere, he said, Kuwait would immediately pump to what it claims will be a 2.1m b/d capacity in the second quarter.

The tough wrangling that finally brought Kuwait back within a regime of Opec allocations for the first time since the Gulf war revealed a more serious flaw in the latest agreement, however.

Kuwait agreed to its cut only on condition that at the next Opec meeting in June it will be accorded a third quarter ceiling "in parity with the production allocation to other countries with similar production capacity, historical market share and quota". It took eight hours of negotiation for Opec members to agree this wording on Tuesday and thus enable a deal-finalising communique. But it became apparent soon after the communique's release that there was no real agreement on what it meant.

Mr al-Baghli said immediately after the meeting that this represented an "explicit agreement" that Kuwait would be awarded parity with the United Arab Emirates when allocations for the third quarter are decided at Opec's next meeting in June. Kuwait and the UAE were both awarded quotas of 1.5m b/d under Opec's last formal quota system, agreed in July 1990, just before the Gulf war. Before the war both countries had roughly similar production capacity of around 2.5m b/d. Under the present deal the UAE will pump 2.1m b/d.

Kuwait was determined above all at the latest meeting that it should re-establish its claim to its pre-Gulf war share of Opec output, even though its oil industry had not yet physically reached the point where it could sustain pre-war capacity. Mr al-Baghli said on Tuesday that he considered that battle won.

Minutes after Mr al-Baghli spoke, however, his Iranian counterpart, Mr Gholamreza Aghazadeh said that the communique gave absolutely no guarantee that Kuwait would be given any sort of parity when ministers met again in June, with the UAE or anyone else. "Maybe that's Kuwait's perception," he said curtly.

Iran opposed any mention of parity or any overt reference to Kuwait's special post-war circumstances largely because it already had its eyes on Iraq's eventual return to the oil market. Before the Gulf war, and under a hard-bargained Opec compromise between the two big Gulf neighbours reached during the Iran-Iraq war, both countries were awarded exact parity at a quota of 3.14m b/d. Above all things, Iran now wants there to be no precedent set that might tie them back into parity with Iraq.

Iran says it has already spent $3.5bn on raising output capacity towards a target of 4.5m b/d by March and hopes to go on to achieve an eventual sustainable capacity of 6m b/d. Whenever Iraq returns to the market, once the UN agrees that it has met all the terms of the Gulf war ceasefire and sanctions are lifted, it will do so with considerably lower output capacity than Iran – even given that most industry estimates say Tehran's claims for present capacity are inflated.

Iraq is certain to latch firmly on to any precedent Opec has set for Kuwait during its post-war reconstruction and Iran fears this means it will seek to achieve agreement that it should once again be tied into an equivalent quota to its neighbour. Indeed, Iraq said firmly after the latest deal that it regarded the July 1990 quota system, with its entrenched parity between Iran and Iraq, as the sole benchmark for Opec allocations.

However successful Opec is, therefore, in achieving its target for the second quarter, its members have already drawn the battle lines for a far tougher fight in June over market share. Iraq's return to the market is still somewhat distant – indeed Saudi Arabia is confident that the country will never re-enter the market fully while Saddam Hussein remains in power. But the arguments to accommodate Iraq have begun and are likely to detain Opec delegates for much longer than four days when they next meet in June.

# Aluminium in cars 'to double'

By Kenneth Gooding, Mining Correspondent

ALUMINIUM USAGE by the car industry can be expected to more than double, from 2.4m tonnes in 1990 to 5.7m tonnes by 2006, according to the Commodities Research Unit consultancy organisation.

Shipments of new or primary aluminium will rise at an even faster rate, from 770,000 tonnes to 2.8m tonnes, because of the development of "all-aluminium" or "aluminium-intensive" vehicles, it suggests in a new study.

Some of the necessary aluminium smelting capacity is already in place but this market alone will call for five or six new smelters by 2006, the CRU points out.

The trend will also increase demand for secondary (scrap) aluminium, put upward pressure on the price and increase the importance of the London Metal Exchange's new aluminium alloy contract, which can be used by manufacturers for hedging against price fluctuations.

The CRU made a detailed, component by component analysis, and says that the increased use of aluminium will be mainly at the expense of steel and cast iron because the switch "will be driven by the need to reduce the weight of cars and improve their fuel economy".

By 2006 the aluminium content of an average European car will have risen from 55 kg in 1990 to 98 kg. Usage in Japan and the US will almost double, says the CRU.

Aluminium's relatively high price compared with that for steel will mean that it will be used most intensively in luxury cars, where buyers can afford to pay for it, and, later in this decade, in electric cars where weight savings will be essential.

The study forecasts a growing use of aluminium "space frames," (skeleton-like car bodies) and aluminium hang-on and structural panels. But it sounds a note of caution about investment in aluminium rolling mills specifically for the car market. The CRU expects that improvements in plastics recyclability and recycling systems within the 15-year period, will enable plastic body panels to become highly competitive in non-load bearing applications and "the window of growth for aluminium body panels will probably then be closed".

The study assumes a 1.8 per cent annual growth rate in car production and no further oil price shocks. "Any sharp rise in the oil price, or much more stringent legislation on fuel economy in the US and elsewhere, would considerably increase future demand for aluminium from the car industry," it concludes.

*"Aluminium in Automobiles – A 1990s Bonanza?" From the CRU, 31 Mount Pleasant, London WC1 0AD.*

# Talk of Cuban buying helps to keep sugar price surge going

By David Blackwell

WORLD SUGAR prices continued to surge yesterday as a spate of bullish news this week pushed the market out of the narrow trading range of recent months.

New York's May raw sugar contract, which rose by 0.5 cents on Tuesday, was a further 0.18 ahead in early trading yesterday at 9.69 cents a lb before easing towards the close. At the beginning of the month it was trading at 8.5 cents.

Cuba has been reported buying 100,000 tonnes of sugar from Thailand to meet its commitments in China and elsewhere in Asia. Cuba's harvest is being delayed once again by problems with the country's infrastructure. Mr Juan Herrera, the Cuban sugar minister, said earlier this month that a lack of basic inputs had "caused delays in the start-up of a significant number of mills".

Thailand, which in November forecast a record 1992-93 harvest of 49.15m tonnes, now expects only 43m tonnes of cane, compared with 47.43m tonnes last year.

Kenya surprised the market with the announcement that it would hold a tender next Monday for 160,000 tonnes of white sugar. Morocco is tendering for 14,000 tonnes of raws, and there is talk of Cuban sales to Mexico and of a 190,000-tonne sale to Indonesia.

"There is a buoyant physical sector, and that has brought the funds back into New York," said one US analyst yesterday. "Fund buying spurred the market through stubborn resistance at 8.65 to 8.70, and then took it through 9 cents."

"Basically the market is looking a lot better," said a London trader. "Good news has arrived when the market was at its weakest." He pointed out that estimates for the world sugar surplus in 1992-93 were coming down. E.D. & F. Man, the London trade house, has reduced its forecast surplus from 3.4m tonnes to 1.5m tonnes.

# Surinam bauxite strike ends

By Canute James in Kingston

BAUXITE MINERS in Surinam have returned to work after a two-week strike. About 2,000 miners were demanding 100 per cent wage increases to keep pace with inflation, but settled for a rise of 40 per cent.

There is still a threat of industrial action as the workers are seeking payment for the days they were on strike.

The industry, based on a 1.6m tonnes-a-year refinery and a 30,000 t/y smelter, accounts for about 70 per cent of the South American republic's foreign earnings. It is owned by the Aluminum Company of America and Billiton, a subsidiary of Royal Dutch/Shell.

# WORLD COMMODITIES PRICES

## MARKET REPORT

Nymex **PLATINUM** group metals were down at midday amid nervousness over President Clinton's state-of-the-union speech, which also kept trading in Comex **GOLD** thin. Gold futures were down in early trading on disappointment at the failure to attract safe-haven buying during the US stock market's drop. **NICKEL** prices closed at six-week highs on the LME. Three-month metal came within a whisker of $6,300 a tonne. Technical factors continued to aid the market, as prices built on overnight US merchant buying. London robusta **COFFEE** futures finished with trimmed gains. Light origin selling helped to halt an earlier advance. Dealers said a close above $945 a tonne on May would have been technically constructive and might have triggered some fund buying today, but after peaking at $954 the rally stalled. In Chicago **WHEAT** prices were sharply higher at midday in reaction to trade talk that Turkey would tender for up to 400,000 tonnes of optional wheat.

**Compiled from Reuters**

## London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB)(Apr) | | + or - |
|---|---|---|
| Dubai | $15.42-5.48 | -.395 |
| Brent Blend (dated) | $17.81-7.84 | -.375 |
| Brent Blend (Apr) | $17.71-7.73 | -.390 |
| W.T.I (1 pm est) | $19.31-9.34 | -.475 |

| Oil products (NWE prompt delivery per tonne CIF | | + or - |
|---|---|---|
| Premium Gasoline | $190-193 | -1 |
| Gas Oil | $168-169 | -1 |
| Heavy Fuel Oil | $71-72 | |
| Naphtha | $172-173 | -1 |
| *Petroleum Argus Estimates* | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♣ | $330.15 | -1.70 |
| Silver (per troy oz)♣ | 365.5c | -4.0 |
| Platinum (per troy oz) | $367.75 | +1.0 |
| Palladium (per troy oz) | $116.00 | +0.25 |
| Copper (US Producer) | 104.0c | |
| Lead (US Producer) | 33.5c | |
| Tin (Kuala Lumpur market) | 14.91r | -0.04 |
| Tin (New York) | 268.5c | +1.00 |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 123.73p | +1.48* |
| Sheep (live weight)†♣ | 104.89p | +3.65* |
| Pigs (live weight)† | 84.17p | +2.23* |
| London daily sugar (raw) | $230.5 | +12.5 |
| London daily sugar (white) | $270.5 | +6.0 |
| Tate and Lyle export price | £269.5 | +8.0 |
| Barley (English feed) | £140.0z | |
| Maize (US No. 3 yellow) | £168.0 | |
| Wheat (US Dark Northern) | Unq | |
| Rubber (Mar)♥ | 67.75p | -0.25 |
| Rubber (Apr)♥ | 68.00p | -0.25 |
| Rubber (KL RSS No 1 Feb) | 283.5m | |
| Coconut oil (Philippines)§ | $447.5y | -2.5 |
| Palm Oil (Malaysian)§ | $437.5w | +5.0 |
| Copra (Philippines)§ | $277.5 | |
| Soyabeans (US) | £182.5u | -1.5 |
| Cotton "A" index | 61.20c | +0.45 |
| Wooltops (64s Super) | 400p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-Feb/Apr. x-Aug. w-Feb/Mar z-Mar. ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

**SUGAR – London FOX ($ per tonne)**

| Raw | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 196.00 | 193.00 | 196.00 | |
| May | 213.00 | 210.00 | 212.80 | |
| Aug | 212.00 | 212.00 | 211.00 | |

| White | Close | Previous | High | Low |
|---|---|---|---|---|
| May | 268.50 | 269.50 | 271.00 | 265.50 |
| Aug | 270.00 | 271.00 | 269.50 | 267.20 |
| Oct | 255.50 | 255.50 | 255.10 | 252.00 |
| May | 257.00 | | 253.60 | |
| Aug. | 261.50 | | 259.00 | 258.10 |

Turnover: Raw 168 (26) lots of 50 tonnes. White 1351 (1325) Paris- White (FFr per tonne): May 1503.77 Aug 1541.04

**CRUDE OIL – IPE ($/barrel)**

| | Latest | Previous | High | Low |
|---|---|---|---|---|
| Apr | 17.71 | 18.15 | 18.09 | 17.71 |
| May | 17.78 | 18.17 | 18.13 | 17.78 |
| Jun | 17.86 | 18.22 | 18.16 | 17.86 |
| Jul | 17.95 | 18.22 | 18.15 | 17.94 |
| Aug | 18.00 | 18.27 | 18.15 | 17.99 |
| Sep | 18.19 | | 18.19 | |
| Oct | 18.25 | | 18.25 | |
| Nov | 18.25 | | 18.25 | |
| IPE Index | 18.03 | 17.96 | 18.03 | |

Turnover 18697 (20581)

**GAS OIL – IPE ($/tonne)**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 166.00 | 168.50 | 168.25 | 166.00 |
| Apr | 166.25 | 168.25 | 169.00 | 166.00 |
| May | 165.75 | 166.00 | 168.00 | 165.75 |
| Jun | 165.50 | 167.75 | 167.50 | 165.50 |
| Jul | 166.75 | 169.25 | 169.00 | 166.75 |
| Aug | 168.50 | 171.25 | 171.00 | 168.50 |
| Sep | 170.50 | 174.00 | 173.00 | 170.50 |
| Oct | 172.50 | | 175.50 | 175.25 |

Turnover 8763 (11521) lots of 100 tonnes

**WOOL**

Although Australian wool prices have become a little dearer this week, with the Wool Corporation's market indicator reaching 470 cents a kg. yesterday compared with 457 a week earlier, there are still very heavy withdrawals by farmers to take into account. Withdrawals at reserves during the sale amounted to about 15%, but in addition 10% to 25% was withdrawn at the three selling centres prior to the start of the sale. Thus anything from 25% to 40% of the originally scheduled offering was not sold. China is listed as the main buyer.

**COCOA – London FOX (£/tonne)**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 722 | 725 | 727 | 713 |
| May | 731 | 735 | 736 | 726 |
| Jul | 743 | 748 | 748 | 740 |
| Sep | 755 | 759 | 758 | 750 |
| Dec | 775 | 778 | 777 | 769 |
| Mar | 794 | 795 | 797 | 790 |
| May | 809 | 808 | 811 | 808 |
| Jul | 824 | | 825 | 823 |
| Sep | 838 | 837 | 842 | 832 |
| Dec | 862 | 863 | 866 | 860 |

Turnover: 3513 (4406) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 17 740.43 (732.43) 10 day average for Feb 16 713.77 (712.64)

**COFFEE – London FOX ($/tonne)**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 943 | 936 | 955 | 941 |
| May | 942 | 929 | 954 | 935 |
| Jul | 912 | 908 | 923 | 910 |
| Sep | 912 | 911 | 927 | 922 |
| Nov | 929 | 924 | 934 | |
| Jan | 941 | 930 | 936 | |

Turnover:2707 (1842) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Feb 16: Comp. daily 57.61 (-) 15 day average 55.97 (-)

**POTATOES – London FOX (£/tonne)**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Apr | 41.5 | 42.0 | 41.8 | 41.3 |
| May | 44.0 | 46.0 | 44.0 | 43.5 |
| Apr | 90 0 | | 87.5 | 87.5 |

Turnover 36 (130) lots of 20 tonnes.

**SOYAMEAL – London FOX (£/tonne)**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Jun | 144.50 | 147.00 | 144.50 | |
| Aug | 144.00 | 146.00 | 144.00 | |

Turnover 100 (-) lots of 20 tonnes.

**FREIGHT – London FOX ($10/index point)**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Feb | 1380 | 1368 | 1380 | 1370 |
| Mar | 1390 | 1370 | 1390 | 1375 |
| Apr. | 1369 | 1358 | 1370 | 1365 |
| Jul | 1200 | 1196 | 1200 | 1198 |
| Oct | 1351 | 1350 | 1355 | 1351 |
| BFI | 1351 | 1336 | 1351 | |

Turnover 266 (184)

**GRAINS – London FOX (£/tonne)**

| Wheat | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 141.80 | 141.40 | 141.90 | 141.75 |
| May | 143.50 | 142.80 | 143.50 | 142.75 |
| Jun | 144.30 | 143.75 | 144.30 | 144.25 |
| Sep | 110.10 | | 110.10 | 109.80 |
| Nov | 112.00 | 111.35 | 112.00 | 111.50 |
| Jan | 116.00 | 114.80 | 116.00 | 116.00 |

| Barley | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 139.00 | 139.00 | 139.00 | 139.00 |
| May | 140.00 | | 140.00 | 139.95 |
| Sep | 107.50 | 107.50 | 107.50 | 107.50 |
| Nov | 110.65 | 110.40 | 110.65 | 110.65 |

Turnover: Wheat 166 (333), Barley 26 (52). Turnover lots of 100 Tonnes.

**PIGS – London FOX (Cash Settlement) p/kg**

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 108.0 | 108.0 | |
| Apr | 107.5 | 106.0 | |

Turnover: - (-) lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 21,596 lots |
| Cash | 1201-2 | 1197.5-8.5 | 1196 | 1198-8.5 | | |
| 3 months | 1223-3.5 | 1219-20 | 1226/1220.5 | 1220-1 | 1222.5-8 | 163,693 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 20,615 lots |
| Cash | 1532-3 | 1530-1 | | 1528.5-9.0 | | |
| 3 months | 1556-7 | 1554-5 | 1559/1549 | 1552-2.5 | 1557-9 | 150,430 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 3,051 lots |
| Cash | 287.5-8.5 | 286-8.5 | 287 | 287-7.5 | | |
| 3 months | 297.5-8.0 | 298.25-8.5 | 298/297 | 297-7.5 | 297-8 | 16,708 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 9,293 lots |
| Cash | 6220-30 | 6110-15 | 6201/6200 | 6200-1 | | |
| 3 months | 6285-90 | 6175-8 | 6300/6200 | 6260-5 | 6295-300 | 41,242 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 1,179 lots |
| Cash | 5790-800 | 5775-80 | 5773/5772 | 5778-5 | | |
| 3 months | 5850-60 | 5835-40 | 5860/5835 | 5832-5 | 5860-90 | 8,439 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 17,087 lots |
| Cash | 1084-5 | 1068.5-7.5 | 1068.5/1068 | 1067.5-8.0 | | |
| 3 months | 1084.5-5.0 | 1086-7 | 1092/1084 | 1087.5-8.0 | 1082-4 | 61,452 lots |

LME Closing £/$ rate: SPOT: 1.4440 3 months: 1.4339 6 months: 1.4263 9 months: 1.4204

**LONDON BULLION MARKET** (Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 330.00-330.30 | |
| Opening | 331.60-332.00 | |
| Morning fix | 331.50 | 228.211 |
| Afternoon fix | 330.60 | 229.027 |
| Day's high | 331.70-332.00 | |
| Day's low | 330.00-330.30 | |

**Loco Ldn Mean Gold Lending Rates (Vs US$)**

| | | | |
|---|---|---|---|
| 1 month | 2.60 | 6 months | 2.56 |
| 2 months | 2.59 | 12 months | 2.56 |
| 3 months | 2.56 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 255.35 | 370.50 |
| 3 months | 259.00 | 373.15 |
| 6 months | 262.55 | 376.20 |
| 12 months | 269.55 | 383.40 |

**GOLD COINS**

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 331.50-334.50 | 228.00-230.00 |
| Maple leaf | 339.50-341.85 | - |
| New Sovereign | 78.00-82.00 | 54.00-58.00 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Mar | Jun | Mar | Jun |
| 1150 | 69 | 97 | 3 | 7 |
| 1200 | 30 | 60 | 13 | 19 |
| 1250 | 8 | 33 | 41 | 40 |

| Copper (Grade A) | Calls | | Puts | |
|---|---|---|---|---|
| 2200 | 50 | 77 | 22 | 41 |
| 2250 | 25 | 51 | 47 | 64 |
| 2300 | 10 | 32 | 82 | 95 |

| Coffee | Mar | May | Mar | May |
|---|---|---|---|---|
| 900 | 42 | 71 | - | 29 |
| 950 | 3 | 44 | 11 | 52 |
| 1000 | - | 27 | 58 | 85 |

| Cocoa | Mar | May | Mar | May |
|---|---|---|---|---|
| 700 | 22 | 50 | - | 19 |
| 725 | 3 | 35 | 6 | 29 |
| 750 | - | 25 | 28 | 44 |

| Brent Crude | Apr | May | Apr | May |
|---|---|---|---|---|
| 850 | 11 | 29 | 78 | - |
| 900 | 6 | 14 | - | - |
| 950 | 2 | 7 | - | - |

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Feb | 331.0 | 333.0 | 332.7 | 330.8 |
| Mar | 331.2 | 333.1 | 331.2 | 331.2 |
| Apr | 331.5 | 333.4 | 332.9 | 330.8 |
| Jun | 332.8 | 334.7 | 334.2 | 332.7 |
| Aug | 334.1 | 336.1 | 334.9 | 333.8 |
| Oct | 335.5 | 337.8 | 336.0 | 335.8 |
| Dec | 337.0 | 339.1 | 338.3 | 336.5 |
| Feb | 338.7 | 340.8 | 339.4 | 336.7 |
| Apr | 340.3 | 342.6 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Feb | 369.8 | 369.8 | 0 | 0 |
| Apr | 366.5 | 371.0 | 370.5 | 364.0 |
| Jul | 363.5 | 368.0 | 367.5 | 362.0 |
| Oct | 361.1 | 365.5 | 364.0 | 362.9 |
| Jan | 369.1 | 363.5 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Feb | 365.0 | 370.9 | 0 | 0 |
| Mar | 365.3 | 371.2 | 371.0 | 363.6 |
| May | 367.6 | 373.7 | 374.0 | 365.5 |
| Jul | 370.2 | 376.1 | 376.0 | 369.0 |
| Sep | 372.7 | 378.6 | 376.0 | 372.0 |
| Dec | 376.4 | 382.3 | 382.5 | 375.0 |
| Jan | 377.2 | 383.1 | 0 | 0 |
| Mar | 380.5 | 386.4 | 382.5 | 380.5 |
| May | 383.4 | 389.4 | 383.0 | 383.0 |
| Jul | 386.2 | 392.4 | 390.0 | 386.0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Feb | 98.75 | 98.45 | 98.90 | 98.75 |
| Mar | 98.95 | 98.75 | 99.15 | 98.75 |
| Apr | 99.30 | 99.10 | 99.40 | 99.35 |
| May | 99.65 | 99.45 | 99.90 | 99.40 |
| Jun | 99.90 | 99.70 | 0 | 0 |
| Jul | 100.15 | 100.05 | 100.30 | 100.00 |
| Aug | 100.40 | 100.30 | 100.55 | 100.55 |
| Sep | 100.70 | 100.60 | 100.65 | 100.90 |

3

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High | Low |
|---|---|---|---|---|
| Mar | 19.25 | 19.53 | 19.61 | 19.24 |
| Apr | 19.27 | 19.53 | 19.64 | 19.25 |
| May | 19.33 | 19.55 | 19.64 | 19.33 |
| Jun | 19.40 | 19.59 | 19.68 | 19.40 |
| Jul | 19.45 | 19.63 | 19.73 | 19.48 |
| Aug | 19.50 | 19.66 | 19.74 | 19.54 |
| Sep | 19.61 | 19.68 | 19.75 | 19.60 |
| Oct | 19.64 | 19.71 | 19.76 | 19.63 |
| Nov | 19.64 | 19.71 | 19.66 | 19.66 |
| Dec | 19.65 | 19.70 | 19.80 | 19.60 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High | Low |
|---|---|---|---|---|
| Mar | 54.30 | 55.14 | 55.66 | 54.15 |
| Apr | 54.05 | 54.71 | 55.20 | 53.90 |
| May | 53.65 | 54.08 | 54.50 | 53.45 |
| Jun | 53.30 | 53.73 | 54.15 | 53.35 |
| Jul | 53.60 | 53.93 | 54.25 | 53.55 |
| Aug | 54.30 | 54.53 | 54.85 | 54.30 |
| Sep | 55.30 | 55.56 | 55.80 | 55.30 |
| Oct | 56.45 | 56.65 | 56.80 | 56.45 |
| Nov | 57.40 | 57.50 | 58.10 | 57.40 |
| Dec | 58.25 | 58.35 | 58.95 | 58.25 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 897 | 905 | 905 | 894 |
| May | 929 | 938 | 937 | 927 |
| Jul | 955 | 965 | 964 | 963 |
| Sep | 983 | 996 | 993 | 981 |
| Dec | 1016 | 1025 | 1025 | 1014 |
| Mar | 1046 | 1055 | 1055 | 1051 |
| May | 1072 | 1081 | 1080 | 1073 |
| Jul | 1092 | 1101 | 1102 | 1092 |
| Sep | 1116 | 1125 | 1119 | 1110 |
| Dec | 1157 | 1166 | 1151 | 1145 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 62.35 | 64.25 | 65.50 | 62.00 |
| May | 66.50 | 67.00 | 68.50 | 66.50 |
| Jul | 68.25 | 68.70 | 70.00 | 68.20 |
| Sep | 70.05 | 70.70 | 71.60 | 70.00 |
| Dec | 72.75 | 73.00 | 74.40 | 72.75 |
| Mar | 75.25 | 75.50 | 76.50 | 76.60 |
| May | 77.50 | 77.85 | 0 | 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 9.33 | 8.96 | 9.37 | 8.88 |
| May | 9.65 | 9.51 | 9.69 | 9.48 |
| Jul | 9.72 | 9.59 | 9.75 | 9.55 |
| Oct | 9.26 | 9.17 | 9.29 | 9.14 |
| Mar | 9.08 | 9.11 | 9.13 | 9.05 |
| May | 9.08 | 9.10 | 0 | 0 |
| Jul | 9.10 | 9.10 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 62.55 | 62.63 | 62.82 | 62.10 |
| May | 63.10 | 63.46 | 63.50 | 62.85 |
| Jul | 64.10 | 64.60 | 64.60 | 63.90 |
| Oct | 63.65 | 63.73 | 63.90 | 63.38 |
| Dec | 62.68 | 62.63 | 62.75 | 62.20 |
| Mar | 63.53 | 63.51 | 63.51 | 63.28 |
| May | 64.15 | 63.98 | 64.00 | 64.00 |
| Jul | 64.70 | 64.43 | 0 | 0 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 70.30 | 68.80 | 71.40 | 68.70 |
| May | 73.80 | 72.45 | 74.50 | 72.45 |
| Jul | 76.90 | 75.70 | 78.00 | 76.00 |
| Sep | 80.00 | 78.50 | 80.25 | 79.00 |
| Nov | 82.80 | 81.30 | 83.80 | 82.80 |
| Jan | 85.25 | 86.35 | 86.00 | 85.50 |
| Mar | 88.75 | 88.30 | 89.50 | 86.50 |
| May | 90.25 | 88.30 | 0 | 0 |
| Jul | 90.30 | 88.30 | 0 | 0 |

**INDICES**

REUTERS (Base:September 18 1931 = 100)

| Feb 17 | Feb 16 | mnth ago | yr ago |
|---|---|---|---|
| 1772.6 | 1767.5 | 1701.8 | 1590.6 |

DOW JONES (Base: Dec. 31 1974 = 100)

| | Feb 16 | Feb 15 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 126.15 | - | 123.75 | 119.04 |
| Futures | 125.22 | - | 122.38 | 121.84 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 573/2 | 571/0 | 573/6 | 570/4 |
| May | 575/4 | 573/4 | 576/0 | 572/4 |
| Jul | 580/2 | 578/6 | 580/6 | 578/4 |
| Aug | 582/4 | 580/4 | 582/6 | 580/6 |
| Sep | 583/0 | 580/6 | 583/4 | 581/4 |
| Nov | 589/2 | 587/0 | 589/6 | 587/0 |
| Jan | 597/0 | 594/6 | 597/0 | 594/4 |
| Mar | 603/2 | 601/0 | 603/4 | 602/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 20.95 | 20.96 | 21.00 | 20.86 |
| May | 21.26 | 21.23 | 21.28 | 21.11 |
| Jul | 21.45 | 21.44 | 21.48 | 21.33 |
| Aug | 21.50 | 21.53 | 21.52 | 21.41 |
| Sep | 21.53 | 21.55 | 21.55 | 21.43 |
| Oct | 21.57 | 21.61 | 0 | 0 |
| Dec | 21.68 | 21.70 | 21.76 | 21.57 |
| Jan | 21.70 | 21.70 | 0 | 0 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 177.8 | 177.2 | 177.9 | 177.0 |
| May | 179.0 | 178.6 | 179.2 | 178.5 |
| Jul | 181.1 | 180.5 | 181.2 | 180.6 |
| Aug | 181.9 | 181.4 | 182.1 | 181.6 |
| Sep | 182.8 | 182.4 | 183.1 | 182.7 |
| Oct | 183.7 | 183.2 | 183.9 | 183.6 |
| Dec | 185.7 | 185.2 | 185.8 | 185.4 |
| Jan | 186.1 | 185.3 | 0 | 0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 212/4 | 212/0 | 213/2 | 211/6 |
| May | 220/2 | 220/0 | 221/0 | 219/6 |
| Jul | 227/4 | 227/4 | 228/2 | 227/2 |
| Sep | 233/6 | 233/4 | 234/2 | 233/4 |
| Dec | 240/2 | 240/2 | 240/6 | 240/2 |
| Mar | 247/0 | 247/0 | 247/4 | 247/0 |
| May | 251/0 | 251/0 | 251/2 | 251/0 |
| Dec | 249/0 | 249/0 | 249/0 | 249/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Mar | 368/6 | 361/4 | 370/0 | 361/4 |
| May | 343/0 | 339/6 | 344/0 | 339/4 |
| Jul | 323/4 | 321/4 | 324/0 | 321/0 |
| Sep | 328/4 | 325/4 | 328/4 | 325/0 |
| Dec | 337/0 | 332/6 | 337/0 | 339/0 |
| Mar | 339/4 | 337/0 | 339/4 | 337/0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Feb | 82.875 | 82.875 | 83.075 | 82.400 |
| Apr | 79.125 | 78.875 | 79.350 | 78.575 |
| Jun | 73.225 | 73.125 | 73.325 | 72.900 |
| Aug | 70.700 | 71.025 | 71.200 | 70.475 |
| Oct | 72.050 | 72.250 | 72.400 | 71.775 |
| Dec | 72.625 | 72.750 | 72.850 | 72.250 |
| Feb | 82.875 | 82.875 | 83.075 | 82.400 |

**LIVE HOGS 40,000 lb; cents/lbs**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Feb | 45.150 | 45.475 | 45.400 | 44.800 |
| Apr | 44.575 | 44.850 | 45.000 | 44.475 |
| Jun | 50.100 | 50.175 | 50.175 | 49.775 |
| Jul | 48.900 | 48.925 | 48.950 | 48.700 |
| Aug | 46.475 | 46.350 | 46.560 | 46.200 |
| Oct | 41.900 | 41.900 | 41.900 | 41.600 |
| Dec | 42.800 | 42.800 | 42.800 | 42.625 |
| Feb | 43.025 | 43.025 | 0 | 0 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High | Low |
|---|---|---|---|---|
| Feb | 37.000 | 36.625 | 37.200 | 36.550 |
| Mar | 37.225 | 36.800 | 37.550 | 36.700 |
| May | 38.425 | 38.025 | 38.750 | 37.800 |
| Jul | 38.825 | 38.575 | 39.100 | 38.300 |
| Aug | 37.450 | 37.400 | 37.900 | 37.100 |

LONDON STOCK EXCHANGE

# Retail sales help offset US worries

By Terry Byland,
UK Stock Market Editor

AFTER A few uncomfortable moments in early trading, when market support levels were tested, the UK stock market stood up well yesterday to the US reaction to President Clinton's revised tax plans. A largely unexpected increase of 1.6 per cent in domestic retail sales in January helped the investment mood, but the London market was mixed at the close with dealers keeping a wary eye on Wall Street, which was moving uncertainly at the opening of its new trading session.

On the home front, stock market attention is now focused on today's UK unemployment figures. But at last night's close, London was also keenly awaiting President Clinton's State of the Union Address.

At the end of the session, weakness in sterling was also restraining the UK equity market, although most strategists do not expect any further move in domestic interest rates until the Budget in March. However, the chances of a full-point rate cut then came under question as the pound gave further ground in the foreign exchange markets yesterday.

Shares fell sharply at the opening in reaction to the 82-point loss in the Dow Industrial Average overnight. The FT-SE 100 Index dropped through 2,800 without waiting for the March index future to open, but the early reading of 2,794.2 on the index proved to be the day's low.

The market quickly rallied, supported by a good level of interest by the institutions, which appeared to regard the Footsie 2,800 area as buying territory. Early losses were replaced by gains and the Footsie touched 2,820.8 before rises were trimmed ahead of the opening of the new Wall Street session. With nothing further to go for, the market closed off the top for a final reading on the FT-SE 100 of 2,814.0, a net 1.8 up on the day.

The institutions were active, if very selective, and continued to buy stocks in the utilities sectors, which are traditionally seen as defensive in times of economic uncertainty. Stock Exchange data disclosed that retail, or customer, business in equities bounced to £1.23bn on Tuesday, a recovery from the brief reduction in retail activity at the beginning of the week.

Seaq volume of 618.6m shares compared with 634.3m in the previous session, with non-Footsie business making up a healthy 61 per cent of yesterday's figure. Increased activity in the second line issues was confirmed by a gain of 7.9 to 3,017.4 yesterday in the FT-SE Mid 250 Index.

The oil sector made a cautious response to the agreement hammered out by the Organisation of Petroleum Exporting Countries, with initial enthusiasm checked following less favourable comments from Kuwait.

Store shares responded firmly to the January retail figures, which showed the best performance for four years and were received eagerly as the latest pointer to the progress of the domestic economy.

But the industrial conglomerates remained depressed beneath the new uncertainty over the US dollar, with pharmaceuticals still unsettled by fears of tighter federal control on US medical spending. The drugs sector was also overshadowed by prospects for today's trading statement from Glaxo, which has underperformed the stock market over the past four months.

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ASDA Group | [illegible] | [illegible] | +1½ |
| Abbey National | [illegible] | [illegible] | [illegible] |
| Albert Fisher | [illegible] | [illegible] | [illegible] |
| Allied-Lyons | [illegible] | [illegible] | [illegible] |
| Amstrad | [illegible] | [illegible] | [illegible] |
| Anglian Water | [illegible] | [illegible] | [illegible] |
| Argos | [illegible] | [illegible] | [illegible] |
| Argyll Group | [illegible] | [illegible] | [illegible] |
| Arjo Wiggins | [illegible] | [illegible] | [illegible] |
| Ass. Brit. Foods | [illegible] | [illegible] | [illegible] |
| Ass. Brit. Ports | [illegible] | [illegible] | [illegible] |
| BAA | [illegible] | [illegible] | [illegible] |
| BAT Inds. | [illegible] | [illegible] | [illegible] |
| BET | [illegible] | [illegible] | [illegible] |
| BICC | [illegible] | [illegible] | [illegible] |
| BOC | [illegible] | [illegible] | [illegible] |
| BP | [illegible] | [illegible] | [illegible] |
| BPB Inds. | [illegible] | [illegible] | [illegible] |
| BT | [illegible] | [illegible] | [illegible] |
| BT New | [illegible] | [illegible] | [illegible] |
| BTR | [illegible] | [illegible] | [illegible] |
| Bank of Scotland | [illegible] | [illegible] | [illegible] |
| Barclays | [illegible] | [illegible] | [illegible] |
| Bass | [illegible] | [illegible] | [illegible] |
| Berisford Int. | [illegible] | [illegible] | [illegible] |
| Blue Circle | [illegible] | [illegible] | [illegible] |
| Booker | [illegible] | [illegible] | [illegible] |
| Boots | [illegible] | [illegible] | [illegible] |
| Bowater | [illegible] | [illegible] | [illegible] |
| Brit. Aerospace | [illegible] | [illegible] | [illegible] |
| British Airways | [illegible] | [illegible] | [illegible] |
| British Gas | 5,600 | 291½ | +2 |
| British Land | 875 | 224 | +5 |
| British Steel | 11,000 | 78 | −½ |
| Bunzl | 1,900 | 134 | |
| Burmah Castrol | 479 | 694 | −5 |
| Burton | 3,300 | 70½ | |
| Cable & Wire. | 1,600 | 740 | +10 |
| Cadbury Schweppes | 323 | 454 | +2 |
| Calor Group | 108 | 246 | −4 |
| Carlton Comms. | 1,200 | 768 | +13 |
| Coats Viyella | 1,000 | 223 | +3 |
| Comm. Union | 387 | 563 | +2 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Feb 1 | Feb 15 | Mar 1 |
| Option Declarations: | | |
| Feb 11 | Feb 25 | Mar 11 |
| Last Dealings: | | |
| Feb 12 | Feb 26 | Mar 12 |
| Account Day: | | |
| Feb 22 | Mar 8 | Mar 22 |

*New time dealings may take place from 8.30am two business days earlier.

# Telecom sector active

HINTS that the appointment of a new head of Oftel, the government's regulatory body, was imminent sparked fears of a tougher pricing regime and depressed telecoms stocks. BT fully-paid fell 5 to 388p, while the partly-paid retreated 4½ to 293p. Vodafone fell, but rallied ahead of a big institutional meeting today and closed a penny ahead at 385p.

The effects of currency movements continued to be felt in the market as Cable and Wireless was the latest stock to be seen as a major beneficiary of last week's dollar strength.

Broker Hoare Govett lifted its current-year forecast by £125m to £1.05bn. Analyst Mr Jim Ross said: "With the US economy picking up ahead of Europe, further dollar strengthening over the medium term is likely." Hoare also increased its new customer connection rate estimates for Mercury, the C and W subsidiary, from 22,000 a month to 29,000. The shares rose 10 to 740p.

### Utilities bought

The water and electricity sectors performed strongly as investors sought out defensive stocks in the wake of the US economic worries. Among waters, Anglian put on 6 at 509p, so did Thames, at 510p, and Southern added 4 at 498p.

Ms Angela Whelan at BZW said: "The sector is attractive for short-term dividend growth together with the growing realisation that the regulatory environment is increasingly stable." Ms Whelan believes the sector's defensive qualities will override the attractions of the recovery plays, mainly because any economic revival will be slow. She added that selected stocks, such as Severn Trent, 3 ahead at 490p, also had recovery potential. Among electricity issues, London rose 7 to 451p, National Power 9½ to 312p, PowerGen 10½ to 314½p and Yorkshire 8 to 497p.

### SmithKline weak

Pharmaceuticals group SmithKline Beecham suffered a sharp fall in an already depressed sector. General pressure was exacerbated by worries that tax benefits for companies who manufacture in Puerto Rico will be removed as part of US financial reforms. Puerto Rico is a significant production centre for the company's US operations.

In addition, the possibility that President Clinton might crack down on the health sector in his State of the Union address late last night added to the worries. SmithKline shed 10 to 439p in the "A"s and 9 to 382p in the Units. Meanwhile, Fisons lost 5 to 238p, Glaxo 5 to 662p ahead of figures today, and Wellcome 2 to 898p.

Tobacco stocks BAT Industries and Rothmans International declined on fears of a possible rise in US taxes on overseas companies. BAT fell 11 to 958p, and Rothmans 6½ to 611p. Conglomerate Hanson slipped 5½ to 244½p on heavy turnover of 10m shares for the same reason.

### Lasmo favoured

Oil group Lasmo rose 6 to 172p after securities house Smith New Court published a buy recommendation. The house said it expected Lasmo to maintain its dividend, based on the current level of sterling oil prices.

However, other oil shares were unmoved by the announcement of Opec production cuts, with many in the market sceptical that they would be adhered to. Opec set an output ceiling of 23.582m barrels per day (bpd) from March 1, against January output of around 25m bpd. BP lost a penny to 261p and Shell Transport gained 1½ at 577½.

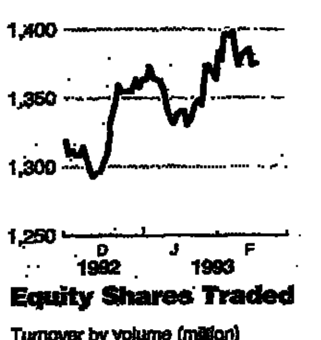
### RTZ down

The world's biggest mining group, RTZ, saw its shares fall sharply in early dealings after the group announced provisions for cutbacks within a US subsidiary.

The registered shares were down 20 just before the official start of trading on the surprise news that RTZ's Kennecott subsidiary was stopping operations at its 54 per cent owned Creek mine in Alaska. The move will entail provisions of $48m (£33.8m).

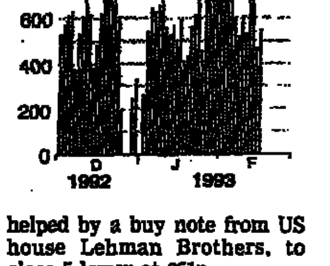
Although the news was unexpected, one analyst summed up the general view when he said: "It's a one-off provision and doesn't affect the underlying trading position." The market is looking for profits of around £300m against £308m last year when RTZ announces figures on March 11. The share price recovered throughout the day, partly helped by a buy note from US house Lehman Brothers, to close 5 lower at 651p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



### Abbey National up

High street bank Abbey National climbed 14 to 365p with the help of an improved recommendation from UK merchant bank Kleinwort Benson.

The house analyst Mr Peter Dutton moved to a buy from a hold. He said the shares had underperformed the FT All-Share index by six per cent over the past month and "the yield has got to a level where we are happy to be buying again." There was also talk of a badly handled buy order by one house. Elsewhere in the sector, Barclays dropped 4 to 431p and National Westminster fell 5 to 435p.

Pittencrieff jumped a further 27 to 378p on consideration of the company's plans to split its telecommunications division from its from its oil and gas activities.

A squeeze in P & O saw the shares improve 11 to 557p. UK airports operator BAA rose 3 to 770p after announcing it had applied for planning permission to build a fifth terminal at Heathrow airport.

British Airways bounced 3 to 278p from Tuesday's falls that followed the release of third-quarter results.

Publisher Emap improved 4 to 434p following a £20.65m acquisition of business magazines, directories and related exhibition interests from Thomson Information Services. Analysts said the market liked the fit and the fact that the money came from Emap's existing cash pile.

Carlton Communications recovered 13 to 768p from its oversold position as concerns about rival products, particularly pay-for-view proved hard to pin down.

Worries that a large customer may cancel or defer aircraft orders hit defence and aerospace components group Smiths Industries. The shares gave up 15 to 349p, with funding worries at the European Fighter Aircraft to which Smiths is also a supplier also dampening enthusiasm for the stock.

Several brokers have now turned cautious, including NatWest Securities and Strauss Turnbull which said: "The company is vulnerable to defence cuts, health issues in both the UK and USA, and the deep late cycle recession in the civil aerospace."

The sentiment in Smiths also hurt Rolls-Royce and the shares eased 5 to 127p, and FR Group which fell 9 to 253p. It was however profit taking along with worries about US taxation that led Siebe 6 lower at 463p. Bargain hunters in TI Group helped the shares bounce 10 to 293p.

Motor stocks were in demand and GKN added 4 to 469p, ahead of figures next month, while Thomas Cowie gained 6 to 195p.

A large stock overhang in J. Sainsbury weakened the shares which closed 11 adrift at 511p. Marketmakers said a leading securities house had been unable to place a line of 1.25m shares, but had eventually parcelled them off at around 507p. Turnover was a bulky 4m.

Relief greeted the bond issue by Argyll Group and the shares added 5½ to 368p. Food specialists said a conversion bond had been feared. Forecasts shavings in Albert Fisher weakened the shares, off 1½ at 66p.

The latest government retail figures boosted sentiment in the stores sector. Boots, helped additionally by news on its Manoplax heart drug, jumped 6 to 491p, Dixons 9 to 218p, GUS 15 to 1585p and W.H. Smith 6 to 425p.

NatWest Securities raked up concerns over the Forte dividend and turned seller of the stock. The shares closed a penny better at 193p.

Selected brewing stocks recovered from their weakness earlier in the week that was prompted by by disappointing figures from Courage. Bass added 9 at 576p, with James Capel also said to be keen, while Scottish & Newcastle gained 10 to 424p.

A badly-handled order upset Whitbread and the 'A' shares closed a net 2 off at 455p.

**MARKET REPORTERS:**
**Christopher Price,**
**Joel Kibazo,**
**Peter John.**

■ Other market statistics, Page 23

## NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (37).
BRITISH FUNDS (5) Treas. 6pc '03-06, Treas. 7¾pc '12-15, Conv. 9pc, War Loan 3½pc, Treas. 2½pc. OTHER FIXED INTEREST (2) African Dev. 11¼pc '10, Hydro Quebec 15pc '11, BUILDING MATERIALS (2) BPB, Kalon, BUSINESS SERVICES (2) Capita, Chubb, CHEMICALS (4) Evode, Do 7p Pf., Laporte, Yule Catto, ELECTRICITY (2) Eastern, Nat'l Power, PowerGen, ELECTRONICS (2) Gresham, Kode, ENGINEERING GENERAL (3) Clyde Blowers, Hadleigh, Molins, Rotork, VSEL, FOOD MANUFACTURING (1) Nichols (Vimto), HEALTH & HOUSEHOLD (2) Bespak, Tepnel Diagnostics, HOTELS & LEISURE (1) Stanley Leis., INSURANCE BROKERS (1) Lloyd Thompson, INSURANCE COMPOSITE (1) Aegon, INVESTMENT TRUSTS (10) Abtrust New Dawn, CST Emrg. Asia, China & Eastern, Group Dev. Cap., Hong Kong, Do Wts., Indonesia Equity, Nth Amer Gas TR Euro. Growth, TR Tech. Ehpd Pf., MEDIA (1) LWT 5.90625p Pf., OIL & GAS (1) Pittencrieff, OTHER FINANCIAL (1) St James's Place Cap., PACKAGING, PAPER & PRINTING (1) Capital Inds., PROPERTY (1) Sinclair Goldsmith, STORES (4) Courts, Fine Art Devs., GUS, Menzies (J), TELEPHONE NETWORKS (1) Cable & Wireless, TEXTILES (2) Albion, Haggas (J), WATER (1) Anglian, PLANTATIONS (1) Bertam, MINES (2) Antofagasta, Navan.
NEW LOWS (8).
BUILDING MATERIALS (2) Darby, Russell (A), Tudor, ELECTRONICS (1) Prestwick, HEALTH & HOUSEHOLD (1) Specialeyes, INVESTMENT TRUSTS (1) Aberforth Split Level Inc., PROPERTY (1) YRM, MINES (1) OFS Invs.

## FINANCIAL TIMES EQUITY INDICES

| | Feb 17 | Feb 16 | Feb 15 | Feb 12 | Feb 11 | Year ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2175.6 | 2171.3 | 2187.8 | 2187.6 | 2188.0 | 1975.3 | 2226.1 | 1870.0 |
| Ord. div. yield | 4.36 | 4.37 | 4.33 | 4.33 | 4.33 | 4.62 | 5.34 | 4.23 |
| Earning yld % full | 5.94 | 5.94 | 5.94 | 5.94 | 5.89 | 6.67 | - | - |
| P/E ratio net | 21.50 | 21.48 | 21.44 | 21.45 | 21.54 | 18.77 | 22.01 | 15.79 |
| P/E ratio nil | 19.73 | 19.71 | 19.79 | 19.80 | 19.87 | 17.68 | - | - |
| Gold Mines | 96.2 | 91.9 | 91.2 | 94.3 | 98.6 | 135.8 | 180.6 | 60.0 |

*for 1992/93. Ordinary share index since compilation: high 2226.1 8/2/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2157.7 | 2162.5 | 2173.3 | 2180.2 | 2180.6 | 2175.7 | 2177.7 | 2178.7 | 2174.3 | 2182.1 | 2157.7 |

| Volume | Feb 17 | Feb 16 | Feb 15 | Feb 12 | Feb 11 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 27,669 | 30,227 | 31,097 | 38,504 | 33,737 | 31,884 |
| Equity Turnover(£m)† | - | 1231.3 | 864.9 | 1488.7 | 1621.4 | 1013.6 |
| Equity Bargains† | - | 33,594 | 48,752 | 42,215 | 38,393 | 32,525 |
| Shares traded (mil)† | - | 549.5 | 472.8 | 730.2 | 744.1 | 458.9 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2814.0 +1.8 | 3017.4 +7.9 | 1374.50 +1.09 |

| | Feb 17 | Day's change % | Feb 16 | Feb 15 | Feb 12 | Year ago | Earnings yield % | Dividend yield % | P/E Ratio | Xd adj ytd |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2814.0 | +0.1 | 2812.2 | 2845.9 | 2843.0 | 2536.7 | 6.51 | 4.28 | 19.73 | 5.84 |
| FT-SE Mid 250 | 3017.4 | +0.3 | 3009.5 | 3022.5 | 3006.3 | 2486.5 | 6.86 | 4.29 | 18.44 | 7.00 |
| FT-SE-A 350 | 1391.5 | +0.1 | 1390.0 | 1404.3 | 1401.5 | 1230.9 | 6.59 | 4.28 | 19.43 | 2.96 |
| FT-SE SmallCap | 1514.43 | -0.2 | 1517.07 | 1520.73 | 1517.27 | - | 5.46 | 4.24 | 25.51 | 4.16 |
| FT-SE SmallCap ex Inv Trusts | 1517.98 | -0.1 | 1519.97 | 1521.83 | 1518.58 | - | 6.09 | 4.50 | 23.47 | 3.89 |
| FT-A ALL-SHARE | 1374.50 | +0.1 | 1373.41 | 1386.96 | 1384.19 | 1216.45 | 6.52 | 4.28 | 19.71 | 2.97 |
| 1 CAPITAL GOODS(211) | 919.48 | — | 919.90 | 929.02 | 919.44 | 788.18 | 6.15 | 4.58 | 21.39 | 1.51 |
| 2 Building Materials(27) | 963.24 | +0.3 | 960.11 | 960.23 | 955.12 | 972.19 | 5.30 | 5.60 | 26.89 | 0.77 |
| 3 Contracting, Construction(29) | 806.11 | -0.2 | 809.82 | 811.3 | 817.69 | 886.14 | 3.12 | 6.62 | 80.00 | 1.23 |
| 4 Electricals(14) | 2629.82 | -0.2 | 2635.58 | 2668.49 | 2651.05 | 2447.53 | 6.12 | 5.53 | 21.45 | 3.25 |
| 5 Electronics(35) | 2483.05 | +0.1 | 2480.38 | 2469.82 | 2470.29 | 1766.01 | 5.37 | 3.44 | 19.88 | 14.53 |
| 6 Engineering-Aerospace(7) | 337.67 | -2.4 | 346.05 | 345.56 | 345.25 | 324.18 | 10.47 | 6.94 | 12.16 | 0.00 |
| 7 Engineering-General(52) | 548.34 | +0.3 | 544.88 | 548.03 | 548.08 | 488.10 | 7.40 | 4.36 | 17.76 | 1.29 |
| 8 Metals & Metal Forming(11) | 357.41 | -0.4 | 358.68 | 361.45 | 359.12 | 323.94 | 4.88 | 3.70 | 29.79 | 0.29 |
| 9 Motors(18) | 400.26 | +0.3 | 398.94 | 394.68 | 391.41 | 311.14 | 4.95 | 5.85 | 29.74 | 0.00 |
| 10 Other Industrials(18) | 1987.26 | -0.1 | 1999.22 | 2003.07 | 2004.67 | 1601.73 | 6.23 | 4.25 | 19.50 | 0.39 |
| 21 CONSUMER GROUP(232) | 1579.99 | — | 1579.37 | 1608.29 | 1609.58 | 1668.55 | 6.97 | 3.52 | 17.87 | 3.39 |
| 22 Brewers and Distillers(29) | 1958.30 | +0.9 | 1941.68 | 1931.38 | 1942.49 | 2101.47 | 8.60 | 3.87 | 14.17 | 10.18 |
| 25 Food Manufacturing(22) | 1357.53 | +0.1 | 1356.22 | 1371.28 | 1363.56 | 1269.33 | 7.78 | 3.85 | 16.02 | 1.54 |
| 26 Food Retailing(18) | 3146.77 | -0.2 | 3152.62 | 3196.54 | 3166.76 | 2515.28 | 8.09 | 3.13 | 16.08 | 2.40 |
| 27 Health & Household(29) | 3777.65 | -1.0 | 3816.57 | 3958.93 | 3958.40 | 4441.81 | 5.89 | 3.00 | 19.73 | 0.54 |
| 29 Hotels and Leisure(20) | 1323.06 | +0.4 | 1317.64 | 1316.32 | 1311.84 | 1306.55 | 6.42 | 5.21 | 20.44 | 7.06 |
| 30 Media(33) | 1843.50 | -0.4 | 1851.58 | 1858.76 | 1847.69 | 1514.28 | 5.64 | 2.82 | 22.07 | 1.42 |
| 31 Packaging and Paper(23) | 826.00 | — | 825.79 | 827.64 | 824.65 | 740.80 | 6.47 | 3.96 | 19.06 | 0.57 |
| 34 Stores(39) | 1108.18 | +0.9 | 1097.89 | 1102.10 | 1100.31 | 1063.83 | 6.45 | 3.27 | 20.59 | 2.92 |
| 35 Textiles(20) | 775.01 | +0.6 | 770.72 | 775.36 | 776.20 | 626.95 | 6.35 | 4.10 | 19.93 | 0.49 |
| 40 OTHER GROUPS(142) | 1472.78 | — | 1472.61 | 1483.59 | 1477.71 | 1226.48 | 8.24 | 4.48 | 14.97 | 3.36 |
| 41 Business Services(27) | 1629.75 | +0.7 | 1618.87 | 1631.33 | 1605.37 | 1394.44 | 5.56 | 3.16 | 22.41 | 0.33 |
| 42 Chemicals(23) | 1476.56 | -0.2 | 1474.36 | 1497.61 | 1499.36 | 1508.47 | 6.15 | 4.95 | 28.47 | 0.45 |
| 43 Conglomerates(11) | 1454.12 | -1.5 | 1476.24 | 1489.81 | 1487.72 | 1315.07 | 7.27 | 5.49 | 15.56 | 2.79 |
| 44 Transport(18) | 2865.19 | +0.8 | 2841.80 | 2866.49 | 2880.88 | 2397.30 | 7.46 | 4.15 | 16.21 | 3.49 |
| 45 Electricity(16) | 1630.41 | +2.1 | 1596.98 | 1603.23 | 1595.82 | 1203.40 | 13.29 | 4.66 | 9.67 | 16.54 |
| 46 Telephone Networks(4) | 1674.83 | -0.5 | 1683.53 | 1694.76 | 1697.31 | 1405.26 | 7.85 | 4.08 | 16.59 | 1.63 |
| 47 Water(13) | 3411.06 | +0.8 | 3385.86 | 3412.93 | 3384.16 | 2467.62 | 13.25 | 5.20 | 8.38 | 11.83 |
| 48 Miscellaneous(32) | 2447.37 | -1.0 | 2471.34 | 2477.83 | 2447.11 | 1830.93 | 5.96 | 4.20 | 21.13 | 0.46 |
| 49 INDUSTRIAL GROUP(585) | 1429.83 | — | 1429.64 | 1440.94 | 1437.78 | 1305.85 | 7.25 | 4.07 | 17.23 | 2.92 |
| 51 Oil & Gas(18) | 2318.68 | +0.2 | 2313.87 | 2343.97 | 2360.92 | 2004.53 | 6.16 | 5.59 | 21.35 | 5.06 |
| 59 "500" SHARE INDEX(603) | 1511.44 | — | 1510.93 | 1523.68 | 1521.83 | 1372.64 | 7.14 | 4.23 | 17.58 | 3.10 |
| 61 FINANCIAL GROUP(89) | 939.89 | +0.4 | 936.08 | 952.64 | 946.77 | 717.15 | 3.81 | 4.85 | 48.00 | 2.45 |
| 62 Banks(9) | 1298.98 | +0.5 | 1291.96 | 1324.65 | 1316.05 | 873.33 | 6.30 | 4.59 | 22.71 | 5.72 |
| 65 Insurance (Life)(6) | 1863.77 | -0.1 | 1866.11 | 1880.83 | 1842.49 | 1415.92 | 2.72 | 4.88 | 84.95 | 0.00 |
| 66 Insurance (Composite)(7) | 630.57 | +0.2 | 629.03 | 641.80 | 636.32 | 481.50 | - | 4.88 | ‡ | 0.00 |
| 67 Insurance Brokers(10) | 785.51 | +1.1 | 776.89 | 793.07 | 792.01 | 989.19 | 7.89 | 6.80 | 17.48 | 0.88 |
| 68 Merchant Banks(6) | 571.33 | +0.4 | 568.83 | 564.78 | 563.02 | 476.77 | 7.48 | 4.00 | 17.56 | 0.00 |
| 69 Property(29) | 703.87 | +0.5 | 700.47 | 707.09 | 707.44 | 761.91 | 7.98 | 6.02 | 18.23 | 1.04 |
| 70 Other Financial(23) | 331.97 | -0.2 | 332.55 | 333.75 | 332.80 | 245.30 | 6.82 | 5.11 | 19.82 | 0.19 |
| 71 Investment Trusts(107) | 1429.30 | -0.2 | 1432.35 | 1449.77 | 1444.52 | 1172.41 | 2.33 | 2.95 | 42.94 | 4.43 |
| 99 FT-A ALL-SHARE(789) | 1374.50 | +0.1 | 1373.41 | 1386.96 | 1384.19 | 1216.45 | 6.52 | 4.28 | 19.71 | 2.97 |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2794.2 | 2799.7 | 2808.1 | 2816.4 | 2818.5 | 2810.9 | 2814.5 | 2816.9 | 2812.1 | 2820.8 | 2794.2 |
| FT-SE Mid 250 | 2998.8 | 3001.3 | 3008.3 | 3016.1 | 3017.9 | 3015.7 | 3015.5 | 3013.9 | 3017.7 | 3018.4 | 2998.3 |
| FT-SE-A 350 | 1381.7 | 1384.3 | 1388.4 | 1391.9 | 1392.4 | 1390.1 | 1391.5 | 1392.1 | 1390.7 | 1394.1 | 1381.7 |

Gross dividend yield (ACT at 25%) FT-SE 100: 4.28%

### FT-SE Actuaries 350 Industry Baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Constrcn | 1583.8 | 1587.5 | 1587.5 | 1587.5 | 1590.1 | 1589.5 | 1589.5 | 1589.5 | 1589.5 | 1589.5 | 1590.5 | -1.0 |
| Health&H | 1133.8 | 1136.8 | 1138.5 | 1139.9 | 1141.3 | 1139.6 | 1141.2 | 1144.3 | 1137.2 | 1137.0 | 1148.6 | -11.6 |
| Water | 1396.4 | 1402.6 | 1401.8 | 1408.1 | 1408.9 | 1408.5 | 1409.5 | 1409.7 | 1409.3 | 1410.4 | 1401.2 | +9.2 |
| Banks | 1561.0 | 1563.7 | 1573.1 | 1577.2 | 1579.0 | 1575.9 | 1576.5 | 1579.2 | 1577.5 | 1578.1 | 1569.6 | +8.5 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

## LONDON SHARE SERVICE

### BRITISH FUNDS

| | Notes | Price £ | + or − | 1992/93 high | low | Yield Int. | Red. |
|---|---|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | | | |
| Treas 10pc 1993‡‡ | | 100¼ | | 101½ | 99⅞ | 9.93 | |
| 12½pc 1993‡‡ | | 102⅜ | −⅛ | 104⅞ | 100½ | 12.17 | |
| Funding 6pc 1993‡‡ | | 100⅛xd | — | 100¼ | 95⅞ | 5.99 | |
| Treas 13¾pc 1993‡‡ | | 106⅞ | −⅛ | 107⅝ | 103⅞ | 12.86 | |
| 8½pc 1994 | | 102½ | −⅛ | 102½ | 96⅞ | 8.27 | |
| 14½pc 1994‡‡ | | 108½xd | −⅛ | 118⅞ | 104½ | 13.31 | |
| Exch 13½pc 1994 | | 109⅜ | −⅛ | 110½ | 103½ | 12.39 | |
| Treas. 10pc Ln. 1994‡‡ | | 105⅛ | −⅛ | 106½ | 98½ | 9.48 | |
| Exch 12¼pc 1994 | | 109⅜xd | −⅛ | 118⅞ | 103⅞ | 11.39 | |
| Treas 9pc 1994‡‡ | | 105½ | −⅛ | 105½ | 96⅞ | 8.54 | |
| 12pc 1995 | | 111 | −⅛ | 111½ | 102½ | 10.81 | |
| Exch 3pc Gas 90-95 | | 96¼ | — | 96¼ | 88¼ | 3.10 | |
| 10¼pc 1995 | | 109½ | −⅛ | 109⅝ | 99⅛ | 9.37 | |
| Treas 12¾pc 1995‡‡ | | 118½ | −⅛ | 118⅞ | 105⅛ | 10.94 | |
| 14pc 1996 | | 120⅞ | −⅛ | 120⅝ | 109½ | 11.68 | |
| 15¼pc 1996‡‡ | | 124½ | −⅛ | 125⅝ | 113½ | 12.30 | |
| Exch 13¼pc 1996‡‡ | | 119½ | −⅛ | 120⅞ | 108 | 11.10 | |
| Conversion 10pc 1996 | | 110½ | −⅛ | 111½ | 98½ | 9.01 | |
| Treas 13¼pc 1997‡‡ | | 121½ | −⅛ | 122½ | 109½ | 10.89 | |
| Exch 10½pc 1997 | | 112½xd | −⅛ | 113½ | 100½ | 9.30 | |
| Treas 8¾pc 1997‡‡ | | 107⅝xd | −⅛ | 108½ | 94 | 8.13 | |
| Exch 15pc 1997 | | 131⅞ | −⅛ | 132⅞ | 117½ | 11.42 | |
| 9¾pc 1998 | | 111½ | −⅛ | 112⅞ | 97½ | 8.74 | |
| Five to Fifteen Years | | | | | | | |
| Treas 7¼pc 1998 | | 102⅞ | −⅛ | 102⅝ | 98½ | 7.14 | |
| Treas 6¾pc 1995-98‡‡ | | 100⅞ | — | 100½ | 86½ | 6.73 | |
| 15½pc '98‡‡ | | 137⅞ | −⅛ | 137⅞ | 123⅞ | 11.31 | |
| Exch 12pc 1998 | | 121⅞ | −⅛ | 122½ | 107½ | 9.89 | |
| Treas 9½pc 1999‡‡ | | 110½ | −⅛ | 112⅛ | 97⅞ | 8.57 | |
| Exch 12¼pc 1999 | | 123xd | −⅛ | 123½ | 109½ | 9.95 | |
| Treas 10½pc 1999 | | 115½ | −⅛ | 116½ | 101½ | 9.07 | |
| Conversion 10¼pc 1999 | | 115⅞ | −⅛ | 116⅞ | 100½ | 8.91 | |
| 9pc 2000‡‡ | | 109⅛xd | — | 110 | 94⅝ | 8.25 | |
| Treas 13pc 2000 | | 128½ | −⅛ | 129½ | 114½ | 10.08 | |
| 10pc 2001 | | 113½xd | −⅛ | 113⅞ | 99½ | 8.82 | |
| 14pc '98-1 | | 128⅞ | −⅛ | 128½ | 115½ | 10.92 | |
| 9¾pc 2002 | | 112⅜xd | −⅛ | 112⅞ | 98⅞ | 8.70 | |

### BRITISH FUNDS - Cont.

| | Notes | Price £ | + or − | 1992/93 high | low | Yield Int. | Red. |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### BRITISH FUNDS - Cont.

| | Notes | Price £ | + or − | 1992/93 high | low | Yield (1) | (2) |
|---|---|---|---|---|---|---|---|
| Index-Linked | | | | | | | |
| [illegible] | | | | | | | |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1992: 139.3 and for January 1993: 137.9.

### OTHER FIXED INTEREST

| | Notes | Price £ | + or − | 1992/93 high | low | Yield Int. | Red. |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

Continued on next page

## EQUITY FUTURES AND OPTIONS TRADING

BARGAIN hunting, together with the release of favourable UK retail sales figures, boosted trading in stock index futures, writes Joel Kibazo.

The poor opening of trading in the March contract on the FT-SE at 2,794 followed the continued overnight falls on Wall Street, and initially led dealers to believe a dull and quiet session lay ahead. By 9am the contract had declined to 2,788, which proved to be the day's low.

However, a feeling that Tuesday's falls had been overdone soon took hold and caused a turnround in the fortunes of March as independent traders, followed by some of the bigger securities houses, went bargain hunting.

The renewed buying gathered momentum with the release of buoyant retail sales figures and continued into the afternoon, with the quiet opening on Wall Street a relief to many traders.

The day's high of 2,827 was reached at around 3pm but was quickly followed by a bout of profit-taking. The March contract closed at 2,815, up 17 from Tuesday's poor finish and at a small discount to the underlying cash market. Turnover was 11,253 lots.

In traded options, volume totalled 32,790 contracts, of which 14,586 were in the FT-SE 100 option and 1,416 in the Euro FT-SE option. BP was the busiest stock option with 1,761 lots transacted, followed by BT with 1,563. Glaxo and BTR were also active.

# LONDON SHARE SERVICE

## AMERICANS

| | Notes | Price £ | + or - | 1992/93 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Abbott Labs | | 18⅞xd | -1½ | 21¼ | 14⅝ | 15,328 | 2.6 |
| Allegheny & W. | ♥ | 519p | +18 | 528p | 226p | 289.7 | 4.0 |
| Amdahl | | 558p | — | 1189p | 438p | 884.4 | 1.2 |
| Amer Cyanamid | | 37⅞ | — | 38⅝ | 25⅞ | 3,403 | 3.0 |
| Amer Express | | 16¼xd | -1⅛ | 17⅞ | 10⅞ | 7,767 | 4.3 |
| Amer T & T | | 36⅞xd | -2 | 38⅞ | 20⅛ | 48,125 | 2.5 |
| Ameritech | | 52¼ | — | 52¼ | 32½ | 22,677 | 4.8 |
| BankAmerica | | 35⅛xd | -2⅛ | 37¼ | 19⅛ | 12,081 | 2.7 |
| Bankers NY | | 48¼xd | -2 | 49⅞ | 28⅞ | 3,702 | 4.7 |
| Bell Atlantic | | 38¼ | — | 38¼ | 23¼ | 16,558 | 4.7 |
| BellSouth | | 38¼ | — | 38⅞ | 25 | 18,861 | 5.0 |
| Bethlehem Steel | ♥ | 12xd | -1½ | 13⅞ | 5⅞ | 1,085 | — |
| Bowater | | 1510pxd | — | 1682p | 905p | 558.4 | 5.4 |
| CPC | h | 31⅞xd | -⅞ | 34 | 22⅞ | 4,627 | 2.6 |
| Cadiz Land Inc | ♥ | 115p | — | 342p | 108p | — | — |
| California Engy | | 1420p | — | 1420p | 591p | 250.5 | — |
| Chase Manhattan | | 20⅞xd | -1⅞ | 22¼ | 9⅞ | 3,102 | 4.1 |
| Chrysler | | 25¼xd | -2⅞ | 28⅞ | 8¼ | 7,394 | 1.6 |
| Citicorp | | 17xd | -1¼ | 18½ | 5⅞ | 6,214 | — |
| Colgate-Palm | | 39⅞xd | -1⅞ | 43⅛ | 25¼ | 6,538 | 2.1 |
| Cont'l Bank | | 1688p | — | 1681p | 488p | 1,688 | 2.6 |
| Dana | | 31½xd | -2 | 34⅞ | 14⅞ | 1,444 | 3.5 |
| Data General | | 812p | — | 1004p | 384p | 224.1 | — |
| Decora Inds | ♥ | 148p | — | 148p | 68p | — | — |
| Dun & Brad | | 40½ | — | 40⅞ | 27⅞ | 7,235 | 3.9 |
| Eaton | | 58⅛ | — | 58⅞ | 32½ | 2,010 | 2.6 |
| Ecolab | | 17xd | -1½ | 18⅞ | 7⅞ | 974.3 | 2.8 |

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING-AEROSPACE

## ENGINEERING-GENERAL

## ENGINEERING-GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## HOTELS & LEISURE - Cont.

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

## MERCHANT BANKS

## OIL & GAS - Cont.

## PACKAGING, PAPER & PRINTING - Cont.

## TELEPHONE NETWORKS

## MINES - Cont.

| | Price | + or - | 1992/93 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|
| Greenwich Res | 9¾ | +¼ | 11 | 2 | 7.52 | - |
| Hamlo Gold C$ | 84¼ | -⅛ | 85½ | £3½ | 409.7 | 2.4 |
| Ivernia West IE | 46 | - | 53 | 30 | 22.8 | - |
| Kells Mnls IE | 6 | - | 42 | 6 | 0.14 | - |
| Kenmare | 7 | - | 8 | 2¼ | 6.72 | - |
| Malinga Res. | 19 | -1 | 48 | 8 | 2.16 | - |
| Navan Res IE | 34 | - | 34 | 16 | 4.56 | - |
| 5pc Ln Notes | 34 | +6 | 34 | 25 | 8.18 | - |
| Oryx Gold | 58½ | - | 103 | 46¾ | - | - |
| Plateau | 38 | - | 13 | 3 | 1.37 | - |
| RTZ | 651 | -5 | 668 | 469 | 6,529 | 4.0 |
| Vizcaya | 4¼ | - | 4¼ | 1 | 2.27 | - |

## METALS & METAL FORMING

## MISCELLANEOUS

## OTHER FINANCIAL

## PROPERTY

## TEXTILES

## INVESTMENT COMPANIES

## TRANSPORT

## MEDIA

## WATER

## OTHER INDUSTRIALS

## STORES

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## MOTORS

## PLANTATIONS

## PACKAGING, PAPER & PRINTING

## MINES

## OIL & GAS

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
e Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

## FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT8419. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

## FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

## AUTHORISED UNIT TRUSTS

### AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| AIB Grofund American | 5 | 161.1 | 162.9 | 171.4 | -7 10 | 0.00 |
| AIB Grofund Equity | 5 | 202.7 | 205.4 | 217.4 | -2.20 | 3.42 |
| AIB Grofund Euro | 5 | 158.5 | 159.1 | 169.2 | -2.30 | 0.51 |
| AIB Grofund Expt Balanced | 3 | 101.9 | 103.9 | 107.1 | -1.70 | 2.15 |
| AIB Grofund Gilt | 3 | 77.07 | 77.07 | 79.44 | +0.03 | 5.67 |
| AIB Grofund Japan | 5 | 131.5 | 133.0 | 140.0 | -1.50 | 0.00 |

### AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| General Inc | 5 | 408.2 | 410.1 | 436.3 | -3.9 | 2.72 |
| General Acc | 5 | 444.6 | 446.5 | 475.1 | -4.3 | 2.72 |
| UK Growth Acc | 6 | 298.7 | 302.9 | 322.3 | -2.3 | 3.06 |
| UK Growth Inc | 6 | 214.1 | 217.1 | 231.0 | -1.6 | 3.06 |
| Higher Inc Acc | 6 | 534.7 | 542.6 | 577.3 | -3.0 | 4.23 |
| Higher Inc Inc | 6 | 329.9 | 334.7 | 356.1 | -1.8 | 4.23 |
| Gilts/Fxd Int Acc | 5½ | 173.1 | 173.1 | 182.8 | -0.2 | 6.57 |
| Gilts/Fxd Int Inc | 5½ | 93.28 | 93.28 | 98.51 | -0.12 | 6.57 |
| Nth America | 6 | 254.8 | 260.5 | 277.2 | -15.7 | 0.00 |
| Far East | 6 | 253.8 | 253.8 | 270.0 | -2.3 | 0.31 |
| Europe | 6 | 214.1 | 214.1 | 227.8 | -1.9 | 1.30 |
| Brit Excell | 6 | 61.73 | 61.73 | 65.67 | -0.4 | 3.11 |
| Brit Fndmntls Acc | 6 | 81.69 | 81.69 | 86.91 | -0.4 | 5.22 |
| Brit Fndmntls Inc | 6 | 64.12 | 64.12 | 68.22 | -0.32 | 5.22 |
| Global Opps | 6 | 67.52 | 67.52 | 71.83 | -1.65 | 0.14 |

### Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Gilts & Fixed Int | 6 | 129.5 | 129.5xd | 137.4 | +0.1 | 6.91 |
| High Inc Equity | 6 | 143.5 | 146.3xd | 155.6 | -1.0 | 5.46 |
| Worldwide Bond | 6 | 265.0 | 265.0xd | 280.8 | -2.8 | 4.45 |
| American Growth | 6 | 285.8 | 285.8xd | 305.6 | -14.7 | .47 |
| Asian Pacific | 6 | 207.9 | 212.5 | 226.0 | -4.0 | .85 |
| Assets & Earnings | 6 | 216.8 | 221.1 | 235.2 | -2.0 | 2.67 |
| Capital Reserve Acc | 0 | 124.9 | 124.9 | 125.2 | .... | 5.94 |
| Comdty & Energy | 6 | 68.95 | 68.95 | 73.74 | -1.01 | 1.19 |
| 1992 Enterprise | 6 | 77.68 | 77.68 | 83.08 | -0.87 | 2.49 |
| Euro Capital Acc | 6 | 106.8 | 106.8 | 114.2 | -1.3 | .91 |
| Euro Capital Inc | 6 | 101.2 | 101.2 | 108.2 | -1.3 | .92 |
| General | 6 | 193.9 | 193.9xd | 207.3 | -2.4 | 2.80 |
| Japan | 6 | 91.75 | 91.75 | 98.12 | -1.08 | - |
| Mastertrust | 6 | 108.4 | 108.4 | 115.9 | -1.7 | 1.62 |
| UK Growth Acc | 6 | 177.6 | 177.6 | 189.9 | -0.9 | 2.70 |
| UK Growth Dist | 6 | 110.6 | 110.6 | 118.2 | -0.6 | 2.74 |
| US Emerging Cos | 6 | 109.6 | 111.3 | 118.4 | -7.0 | - |
| Income & Growth | 6 | 331.7 | 331.7 | 354.7 | -2.7 | 3.95 |
| Ethical | 6 | 61.36 | 62.98 | 67.00 | -0.42 | 2.88 |
| International | 6 | 79.08 | 80.31 | 85.43 | -1.42 | 1.19 |
| Dividend & Growth | 6 | 53.88 | 54.92xd | 58.42 | -0.28 | 5.14 |
| Global Gwth & Sec | 6 | 59.36 | 59.64 | 63.44 | -0.25 | 3.14 |

### Britannia Life Unit Managers Ltd (1200)F
50 Bothwell Street, Glasgow G2 6HR 041-223 6020

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Balanced Growth | 6 | 90.69 | 91.67 | 98.04 | -0.80 | 2.39 |
| Do (Accum) | 6 | 99.01 | 100.08 | 107.04 | -0.74 | 2.39 |
| Smaller Cos | 6 | 74.55 | 76.28 | 81.59 | -0.05 | 1.81 |
| Do (Accum) | 6 | 80.61 | 82.49 | 88.22 | -0.06 | 1.81 |
| Higher Yield | 6 | 36.61 | 36.96xd | 39.53 | -0.14 | 4.52 |
| Do (Accum) | 6 | 49.94 | 50.41 | 53.93 | -0.20 | 4.52 |
| American Gth Inc | 6 | 95.83 | 95.99xd | 99.88 | -2.77 | 0.00 |
| Do (Accum) | 6 | 56.89 | 57.05 | 61.02 | -2.79 | 0.00 |
| European Growth | 6 | 94.69 | 94.69 | 101.27 | -0.82 | 1.78 |
| Do (Accum) | 6 | 95.57 | 95.57 | 102.21 | -0.82 | 1.78 |
| Global Bond Inc | 6 | 29.42 | 29.47 | 31.27 | -0.19 | 5.78 |
| Do (Accum) | 6 | 36.15 | 36.22 | 38.42 | -0.23 | 5.78 |
| Managed P'folio Inc | 6 | 33.45 | 33.54 | 35.87 | -0.59 | 1.54 |
| (Do Accum) | 6 | 33.54 | 33.64 | 35.98 | -0.60 | 1.54 |
| Pacific Growth Accum | 6 | 86.73 | 86.73 | 92.76 | -1.81 | 1.17 |
| Intl Spec Opps Accum | 6 | 82.47 | 83.62 | 89.44 | -1.36 | 1.09 |

### Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Mngd P'folio Inc | 6 | 89.61 | 89.61xd | 95.43 | -2.62 | 2.18 |
| Mngd P'folio Acc | 6 | 169.2 | 169.2 | 180.2 | -4.90 | - |
| UK General | 6 | 143.2 | 143.2 | 152.5 | -0.60 | 3.32 |
| Com & General | 6 | 19.30 | 19.30 | 20.66 | -0.03 | 8.07 |
| European Inc | 6 | 22.50 | 22.50 | 24.23 | -0.17 | 0.47 |
| European Acc | 6 | 23.24 | 23.24 | 25.03 | -0.17 | - |
| Financial | 6 | 108.7 | 108.7xd | 115.8 | -1.00 | 3.84 |
| Foundation | 6 | 70.35 | 71.99 | 76.67 | -0.53 | 3.66 |
| German | 6 | 42.48 | 42.48 | 45.55 | -0.02 | 0.09 |
| Growth Inc ¶(5-1) | 5 | 27.43 | 27.43 | 29.26 | -0.34 | 3.16 |
| Growth Acc ¶(5-1) | 5 | 31.94 | 31.94 | 34.07 | -0.39 | - |
| High Income | 6 | 70.22 | 70.99 | 75.96 | -0.41 | 7.26 |
| Income | 6 | 120.2 | 122.4 | 131.0 | -0.80 | 4.43 |
| Intl Income | 6 | 87.80 | 87.80xd | 93.51 | -0.63 | 5.16 |
| Intl Growth ♦ | 6 | 32.43 | 32.43 | 34.54 | -0.98 | 0.23 |
| Monthly Income | 6 | 66.43 | 68.33 | 72.77 | -0.37 | 4.63 |
| North American | 6 | 105.5 | 106.6 | 113.5 | -5.90 | 0.19 |
| Orient ♦ | 6 | 99.82 | 99.82 | 107.4 | -1.30 | - |
| Recovery | 6 | 34.61 | 36.30 | 39.02 | -0.33 | 3.03 |
| Smaller Cos Acc | 6 | 341.8 | 258.4 | 275.2 | +0.40 | - |
| Smaller Cos Inc | 6 | 141.6 | 151.3 | 161.2 | +0.30 | 1.43 |

### Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Income Growth | 1 | 188.2 | 188.2 | 193.2 | ..... | 6.46 |

### Buckmaster Mangmt Co Ltd (0930)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Fellowship Tst | 5¼ | 61.05 | 61.84 | 65.79 | -1.12 | 1.08 |
| (Accum Units) | 5¼ | 68.07 | 68.94 | 73.35 | -1.32 | 1.08 |
| Income | 5¼ | 203.1 | 205.2 | 218.3 | -2.0 | 4.09 |
| (Accum Units) | 5¼ | 461.5 | 466.5 | 496.3 | -4.5 | 4.09 |
| Smaller Co's | 5¼ | 113.2 | 116.0 | 123.5 | -0.10 | 2.08 |
| (Accum Units) | 5¼ | 135.8 | 139.4 | 148.3 | -0.1 | 2.08 |
| Int Portfolio | 3 | 64.52 | 65.38xd | 67.76 | -0.76 | 2.22 |
| (Accum Units) | 3 | 72.86 | 73.84xd | 76.52 | -0.86 | 2.22 |
| High Income Port ♦ | 3 | 56.93 | 57.81 | 59.91 | -0.26 | 4.85 |

### Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

## Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (◆) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128.

### Sharp (Albert E.) & Co (1000)F
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing 0277 261010

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European | 5 | 107 60 | 108 30 | 113 90 | -1.20 | 1 41 |
| Int'l Bond & Conv | 5 | 124 70 | 124 90 | 137 50 | -0 30 | 5 49 |
| Pooled Pension | 7 | 150 5 | 154 5 | 165 3 | | - |
| Smaller Cos | 5 | 60 28 | 62.19 | 65 46 | -0 07 | 2 00 |
| UK General | 5 | 114 00 | 115 80 | 121 90 | -0 90 | 2 81 |

### Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Income | 5 | 382 31 | 382.31 | 406 71 | -1 98 | 6 09 |
| Global Inc | 5 | 57 56 | 57 56 | 61.23 | -0 47 | 3.98 |
| Brit Leaders | 5 | 311.59 | 311 59 | 331 48 | -1.51 | 3 09 |
| Intl Leaders | 5 | 182 7 | 182 7 | 194.36 | -4 68 | 1 7 |
| PAd Man Bd Cash Inc | 1¼ | 53 25 | 54.56 | 56 69 | -0 29 | 3 |

### Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224 Beckenham, BR3 4TF 081-663 3003

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European Trust | 6 | 52 33 | 52 41 | 55 76 | -0 64 | 1 39 |
| Far Eastern Tst | 6 | 56.84 | 57 47 | 61 14 | -0 71 | 0 82 |
| Smaller Cos | 5 | 138 8 | 143 1 | 152.3 | -0 2 | 2.18 |

### Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St. London W1A 3AS 071-637 5377

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| S & W American | 5 | 279 9 | 280.5 | 296 8 | -5.00 | 0 85 |
| S & W Capital | 5 | 214 1 | 114 1 | 122.3 | -1 40 | 1 87 |
| S & W Cash | 0 | 102.41 | 102 41 | 102 41 | +0 01 | 6 05 |
| S & W European | 5 | 114 9 | 115 0 | 121.6 | -1.30 | 0 90 |
| S & W Far Eastern | 5 | 119 3 | 120 5 | 127 5 | -1.30 | 0 06 |
| S & W Growth | 5 | 122 0 | 123 5 | 130 7 | -0 70 | 1.47 |
| S & W Income | 5 | 108 5 | 109.5 | 115 8 | -0 90 | 5.23 |
| S & W Magnum | 5 | 121 4 | 121 4 | 129 9 | -1 60 | 1.96 |
| S & W Smllr Secs | 5 | 296 5 | 302 7 | 320.2 | -0 40 | 0 62 |
| S & W Thoroughbred | 5 | 139 9 | 139 9 | 150.0 | -1 70 | 1 70 |

### Societe Generale Touche Remnant (1200)F
Mermaid Hse, 2 Puddle Dock EC4V 3AT 071-410 4029

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| American Gwth | 5¼ | 80 99 | 80 99 | 86.62 | -1 60 | 0 |
| Eur Sp Sits Acc | 5¼ | 44.62 | 44 62 | 47 42 | -0.35 | 0 |
| Eur Sp Sits Inc | 5¼ | 42.14 | 42.14 | 44.79 | -0.34 | 0 |
| Far East Opps Inc | 5¼ | 29.29 | 29.29 | 31 39 | -0.34 | 0 |
| Far East Opps Acc | 5¼ | 30 09 | 30 09 | 32.25 | -0.42 | 0 |
| General Growth | 5¼ | 95.38 | 95 38 | 102 10 | -0 60 | 0 |
| General Growth Acc | 5¼ | 97 69 | 97 69 | 104 60 | -0 70 | 2 45 |
| Global Tech | 5¼ | 116 30 | 116 30 | 125 40 | -6 80 | 0 |
| Income Growth | 5¼ | 95 62 | 95.62 | 102 70 | -0.60 | 4.01 |
| Income Growth Acc | 5¼ | 97 44 | 97 44 | 104 70 | -0 60 | 4 04 |
| Income Monthly | 5¼ | 54 65 | 54 65 | 58 44 | -0 12 | 5 38 |
| Japan Growth | 5¼ | 64 90 | 64 90 | 69 02 | -0.47 | 0 |
| Overseas Growth | 5¼ | 71 08 | 71 08 | 75 68 | -1 60 | 0 |
| Smaller Cos | 5¼ | 68 35 | 68 35 | 73 40 | -0 71 | 1 84 |

### Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Challenger | 2½ | 92 61 | 92.61 | 94 76 | -0 94 | 0.00 |
| Short Dtd Gilt | 1¼ | 109.3 | 109.3 | 110 8 | -0 10 | 8 47 |
| U S Govmnt Bond | 1¼ | 0.7093 | 0 7093 | 0 7186 | +0.0005 | 0 00 |
| Gilt Income | 4 | 52.33 | 52.33 | 54 45 | +0 03 | 8 00 |
| Gilt Growth | 4 | 65 18 | 65 18 | 67 85 | +0 03 | 0 00 |
| City Reserve | 0 | 52 16 | 52 16 | 52 17 | +0 01 | 6 29 |

### Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388046

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Stockmarket Fd F | 5 | 64 45 | 64 67 | 68 79 | -0 21 | 2.24 |

## OTHER UK UNIT TRUSTS

### Baillie Gifford & Co Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Int'l East Feb 3 | 672.2 | 694.2 | | 1 00 |

### Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1004 (dealing)

Charitable Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| UK Growth & Income | 52.77 | 54.63 | -0 87 | 5 0 |
| Income Plus | 49.47 | 50 48 | -0.12 | 7 5 |

### James Capel Fund Managers Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| European Exempt | £110 661 | 111 912 | -0 268 | 2 99 |
| Japanese Exempt | £112 045 | 113 758 | -0.417 | - |
| Managed Exempt | £127 081 | 134.332 | -0 881 | 3 07 |
| North American Exempt | £103.144 | 104 951 | -2.898 | 1 14 |
| Pacific Exempt | £111.272 | 113 764 | -0 641 | 2.97 |

### Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 071-588 1815

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Inv Fund Jan 31 | 585 00 | 591.20 | - | 5 04 |
| Fxd Int Sec Jan 31 | 153 10 | 153.85 | - | 9.50 |

Deposit Fund. See Money Market Trust Funds.

### Charinco/Charishare (1000)F
33 King William Street, EC4R 9AS 071-280 2800

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Charinco Inc. | 178 4 | 180 4 | +0.20 | 9.09 |
| Charinco Acc. | 1046 | 1058 | +1 00 | 9.09 |
| Charishare Inc. | 186 1 | 190 0 | -1.60 | 4.21 |

## INSURANCES

Continued on next page

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call : 071 925 2128

## Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Balanced Grwth Mngd | 669 4 | 712.2 | -5.3 | - |
| Adventurous Mngd | 165.3 | 175.9 | -2.7 | - |
| Cautious Mngd | 128 4 | 136.7 | -0.5 | - |
| Cash Fd | 317.7 | 334.8 | ... | - |
| Property Fund | 216.7 | 230.6 | .... | - |
| Equity Fund | 775 8 | 825.4 | -13.9 | - |
| Fxd. Int. Fund | 417 6 | 440.1 | +0.2 | - |
| International | 345.8 | 367.9 | -6.2 | - |
| High Income | 598.3 | 636.5 | -1.0 | - |
| Far East | 466.6 | 496.4 | -7.5 | - |
| North American | 459.9 | 489.3 | -21.5 | - |
| Special Sits | 930.2 | 985.4 | -1.0 | - |
| Technology | 452 7 | 481.6 | -22.0 | - |
| Extra Inc Fd | 326.1 | 347.0 | -0.6 | - |
| Convertible & Gilt Fd | 158.9 | 169.1 | -0 4 | - |
| American Income | 188.8 | 200.9 | -4.5 | - |
| Gilt Fund 20 | 447 8 | 476.4 | +0.3 | - |
| European Fund | 125.3 | 133 4 | -0.6 | - |
| Pref & Fixed Int. | 115.1 | 122.5 | +1.3 | - |
| UK Blue Chip | 117 8 | 124.2 | -0.5 | - |
| Recovery Fund | 116.2 | 122.5 | -0.3 | - |
| Equity Income Dist. | 108.6 | 115.6 | -0.5 | 4.88 |
| Managed Dist. | 102.9 | 109.5 | -0.5 | 5.60 |
| High Yield Dist | 105.6 | 111.3 | +0.4 | 8.30 |
| **Pension Funds** | | | | |
| Balncd Gth Mgd Pens Acc | 792.6 | 834 4 | -5.9 | - |
| Adventurous Mgd Pens Acc | 175.4 | 184.7 | -3.2 | - |
| Cautious Mngd Pens Acc | 148.9 | 156.8 | -0.7 | - |
| Building Soc. Acc | 366.6 | 385 9 | ... | - |
| Property Pens. Acc | 295.4 | 311.0 | .... | - |
| Fix Int. Pens. Acc | 658 9 | 693.6 | +0.5 | - |
| Equity Pens. Acc | 1023.2 | 1077.1 | -12.4 | - |
| International Pens Acc | 323.6 | 340.7 | -6.6 | - |
| High Inc Pens Acc | 673.5 | 709.0 | -2.6 | - |
| Tech Pens Acc | 318.6 | 335 4 | -17.4 | - |
| N American Pens Acc | 353.9 | 372.6 | -17 4 | - |
| Far Eastern Pens Acc | 476.7 | 501.8 | -9.3 | - |
| Special Sits Pens Acc | 453 6 | 477.5 | -1.5 | - |
| Extra Income Pens Fd | 401.5 | 422.7 | -0.5 | - |
| Convertible & Gilt Pen | 194.3 | 204 6 | -5.7 | - |
| American Inc Pens | 221.1 | 232.8 | -0.5 | - |
| European Pens | 140.1 | 147.5 | -0.8 | - |
| Managed Cash Pens | 172.7 | 181.8 | .... | - |

## Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| Deposit Acc Fd | 169.1 | 178.0 | ..... | - |
| Equity Acc Fd | 405.1 | 426 4 | -3 0 | - |
| Managed Acc Fd | 359.7 | 378.6 | .... | - |
| Prop Fd Unit Mgd | - | 646.5 | .... | - |
| Prop Acc Fd (2nd Iss) | 124.9 | 131.5 | ..... | - |
| Unit Trust Mn Fd | 179.0 | 188.4 | ..... | - |
| **RL Pension Funds** | | | | |
| Deposit Acc | 245.8 | 258 7 | ..... | - |
| Equity Acc | 302 9 | 318.8 | -2 9 | - |
| Fixed Int Acc | 250.3 | 263.5 | ..... | - |
| Gilt Indx Lnk Acc | 189.5 | 199.5 | ..... | - |
| Managed Acc | 405.9 | 427.3 | ..... | - |

## J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041 307 6500

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| JRA/M&G Managed | 117.8 | 124.1 | -0.7 | - |
| JRA/Scottish Amicable Mngd | 113.4 | 119.4 | -0.5 | - |
| JRA/St James's Place Mngd | 121.3 | 127.7 | -0.7 | - |
| Deposit | 100.5 | 105 8 | +0.1 | - |
| Far East | 123.4 | 129.9 | -0.8 | - |
| Gilts | 107 9 | 113.6 | +0.3 | - |
| Greater European | 116 7 | 122.9 | -0.5 | - |
| North American | 134 1 | 141.2 | -6.0 | - |
| UK Equity | 117 8 | 124.1 | -0.5 | - |
| **Pension Funds** | | | | |
| JRA/M&G Managed cap | 116.4 | 122.6 | -0.9 | - |
| JRA/M&G Managed acc | 120 8 | 127.2 | -0.9 | - |
| JRA/Scottish Amicable Mngd cap | 112.6 | 118.6 | -1.0 | - |
| JRA/Scottish Amicable Mngd acc | 116.9 | 123.1 | -0.9 | - |
| JRA/St James's Pl Mngd cap | 126 4 | 133.1 | -0 9 | - |
| JRA/St James's Pl Mngd Acc | 131.1 | 138.1 | -0.9 | - |
| Deposit cap | 100.3 | 105.6 | .. | - |
| Deposit acc | 104.1 | 109.6 | .. | - |
| Far East cap | 121.0 | 127.4 | -0.9 | - |
| Far East acc | 125 4 | 132.1 | -1.0 | - |
| Gilts cap | 105.6 | 111.2 | +0.4 | - |
| Gilts acc | 109.5 | 115.3 | +0.4 | - |
| Greater European cap | 118 8 | 125.1 | -0 8 | - |
| Greater European acc | 123.3 | 129 8 | -0 8 | - |
| North American cap | 132.3 | 139.3 | -7.3 | - |
| North American acc | 137.2 | 144 5 | -7.6 | - |
| UK Equity cap | 117.7 | 123.9 | -1.1 | - |
| UK Equity acc | 122.0 | 128.5 | -1.2 | - |

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

## MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Pound closes at record low

STERLING dropped to its lowest ever close against the D-Mark yesterday, after better than expected retail sales figures failed to convince foreign exchange markets that the government would not cut interest rates again in the near future, *writes Emma Tucker*.

"The scenario is that in spite of the reasonably optimistic numbers we saw today, stimulation of the economy will still be put ahead of the exchange rate," said Mr Rob Loewy, a foreign exchange dealer at Hong Kong and Shanghai Bank.

Mr Paul Chertkow, chief currency economist at UBS Phillips & Drew said: "The economic situation here still warrants lower interest rates. The markets have reassessed the economy and believe that although the retail sales figures are better, the industrial sector is still very depressed."

A substantial amount of institutional selling of the pound for the French franc was reported in late trading and the strength of the D-Mark added to pressure on the pound. It closed in London at DM2.3500, down one and a quarter pfennigs on the day. Against the dollar it was slightly lower at $1.4440.

The dollar continued to drift downwards with the market still uncertain about President Clinton's State of the Union speech. Dealers were concerned that zealous reduction of the budget deficit through higher taxes would impede economic recovery. The dollar closed at DM1.6280 against the previous night's close of DM1.6315.

The morning saw strong buying of the D-Mark mainly at the expense of the lira and the Danish krone. Enthusiasm for the German currency stemmed from a perception in the market that German monetary policy remained on course and that there would be no easing of rates at today's Bundesbank council meeting.

The lira continued to be plagued by rumours of political corruption and economic weakness. Analysts said it was likely to remain under considerable pressure until it became clear whether or not the prime minister intended to reshuffle his cabinet. The lira closed in London at L961.1 per D-Mark against a previous close of L943.3.

The French franc was slightly weaker against the D-Mark with the market unable to make up its mind about the currency's direction. Some believe further pressure on the franc, in the wake of a right-wing parliamentary election victory, would lead to a fixed-rate link between the franc and the D-Mark. Yesterday Mr Theo Waigel, the German finance minister, and Mr Michel Sapin, his French counterpart ruled out such a mini-monetary union.

Others believe that monetary easing in Germany will come early enough to rescue the franc from devaluation. Mr Chertkow said he did not think investors were building up short franc positions.

### £ IN NEW YORK

| Feb 17 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.4460 - 1.4470 | 1.4480 - 1.4490 |
| 1 month | 0.36 - 0.34pm | 0.36 - 0.34pm |
| 3 months | 1.06 - 1.03pm | 1.05 - 1.02pm |
| 12 months | 2.90 - 2.80pm | 2.80 - 2.70pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Feb 17 | Previous |
|---|---|---|
| 8.30 am | 77.0 | 76.4 |
| 9.00 am | 77.0 | 76.4 |
| 10.00 am | 77.0 | 76.4 |
| 11.00 am | 76.9 | 76.6 |
| Noon | 77.0 | 76.7 |
| 1.00 pm | 76.8 | 76.6 |
| 2.00 pm | 76.5 | 76.6 |
| 3.00 pm | 76.5 | 76.8 |
| 4.00 pm | 76.5 | 76.9 |

### CURRENCY RATES

| Feb 17 | Bank & rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.955501 | 0.823063 |
| U.S Dollar | 3.00 | 1.37229 | 1.19056 |
| Canadian $ | 6.40 | 1.72415 | 1.50368 |
| Austrian Sch | 8.25 | 15.9090 | 13.6498 |
| Belgian Franc | 7.50 | 46.5755 | 39.9999 |
| Danish Krone | 11.50 | 8.67493 | 7.44458 |
| D-Mark | 8.00 | 2.25810 | 1.93978 |
| Dutch Guilder | 7.50 | 2.54285 | 2.18432 |
| French Franc | 10 | 7.64434 | 6.57190 |
| Italian Lira | 11.50 | 2122.58 | 1841.64 |
| Japanese Yen | 2.50 | 165.635 | 142.927 |
| Norway Krone | - | 9.61358 | 8.25535 |
| Spanish Peseta | - | 161.519 | 139.569 |
| Swedish Krona | 11.50 | 10.2496 | 8.86611 |
| Swiss Franc | 5.50 | 2.09206 | 1.79179 |
| Greek Drach | 19 | N/A | 260.864 |
| Irish Punt | - | N/A | 0.795670 |

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Feb 16

### CURRENCY MOVEMENTS

| Feb 17 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 76.5 | -32.75 |
| U S Dollar | 66.4 | -11.50 |
| Canadian Dollar | 95.9 | -5.69 |
| Austrian Schilling | 115.7 | +16.90 |
| Belgian Franc | 116.4 | +2.00 |
| Danish Krone | 119.4 | +12.67 |
| D-Mark | 126.1 | +32.35 |
| Swiss Franc | 110.2 | +16.08 |
| Dutch Guilder | 120.0 | +21.28 |
| French Franc | 110.6 | -6.46 |
| Lira | 80.5 | -34.19 |
| Yen | 159.8 | +96.61 |
| Peseta | 98.9 | -24.60 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.16

### OTHER CURRENCIES

| Feb 17 | £ | $ |
|---|---|---|
| Argentina | 1.4405 - 1.4430 | 0.9990 - 1.0000 |
| Australia | 2.1005 - 2.1025 | 1.4550 - 1.4560 |
| Brazil | 26865.3 - 26884.1 | 18630.6 - 18630.7 |
| Finland | 8.3715 - 8.4785 | 5.8200 - 5.8500 |
| Greece | 314.300 - 320.600 | 216.480 - 220.810 |
| Hong Kong | 11.1415 - 11.1535 | 7.7310 - 7.7320 |
| Iran | 2200.00* | 1485.00* |
| Korea(Sth) | 1146.15 - 1164.65 | 794.00 - 800.20 |
| Kuwait | 0.44285 - 0.44350 | 0.30700 - 0.30750 |
| Luxembourg | 48.40 - 48.50 | 33.50 - 33.60 |
| Malaysia | 3.7825 - 3.7925 | 2.6265 - 2.6275 |
| Mexico | 4.4715 - 4.4745 | 3.1010 - 3.1030 |
| N.Zealand | 2.7915 - 2.7955 | 1.9360 - 1.9385 |
| Saudi Ar | 5.4015 - 5.4125 | 3.7495 - 3.7505 |
| Singapore | 2.3665 - 2.3715 | 1.6415 - 1.6425 |
| S.Af (Cm) | 4.4875 - 4.4980 | 3.1115 - 3.1135 |
| S.Af (Fn) | 6.6835 - 6.6980 | 4.6350 - 4.6450 |
| Taiwan | 37.35 - 37.50 | 25.90 - 26.00 |
| U.A.E. | 5.2890 - 5.3015 | 3.6715 - 3.6735 |

*Floating rate. Iran Official rate £98.50 $66.30

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Feb 17 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 142.150 | 139.569 | -1.82 | 2.19 | 32 |
| Irish Punt | 0.809996 | 0.795670 | -1.77 | 2.14 | 66 |
| Portuguese Escudo | 180.624 | 177.739 | -1.60 | 1.96 | 27 |
| Dutch Guilder | 2.20045 | 2.18432 | -0.73 | 1.08 | 21 |
| Belgian Franc | 40.2802 | 39.9999 | -0.70 | 1.04 | 19 |
| D-Mark | 1.95294 | 1.93978 | -0.67 | 1.02 | 24 |
| Danish Krone | 7.44934 | 7.44458 | -0.06 | 0.40 | -11 |
| French Franc | 6.54988 | 6.57190 | 0.34 | 0.00 | -36 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Feb 17 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4395 - 1.4565 | 1.4435 - 1.4445 | 0.36-0.34cpm | 2.91 | 1.05-1.02pm | 2.87 |
| Canada | 1.8190 - 1.8335 | 1.8205 - 1.8215 | 0.08pm-0.01cdis | 0.23 | 0.10pm-0.08dis | 0.02 |
| Netherlands | 2.6395 - 2.6640 | 2.6400 - 2.6500 | ½-¾cdis | -1.98 | 1¼-1½dis | -1.89 |
| Belgium | 48.30 - 48.80 | 48.40 - 48.50 | 9-15cdis | -2.97 | 33-44dis | -3.18 |
| Denmark | 9.0030 - 9.0850 | 9.0125 - 9.0225 | 11½-13¾oredis | -16.47 | 27¾-30¼dis | -12.78 |
| Ireland | 0.9625 - 0.9725 | 0.9625 - 0.9635 | 0.64-0.72pdis | -8.47 | 1.72-1.96dis | -7.64 |
| Germany | 2.3435 - 2.3645 | 2.3475 - 2.3525 | ⅜-½pfdis | -2.23 | 1⅛-1⅜dis | -2.13 |
| Portugal | 214.50 - 218.20 | 214.50 - 215.50 | 112-122cdis | -6.53 | 364-387dis | -6.99 |
| Spain | 168.70 - 169.85 | 169.35 - 169.65 | 106-121cdis | -8.04 | 287-306dis | -7.00 |
| Italy | 2223.80 - 2260.0 | 2234.00 - 2235.00 | 8-11liredis | -5.10 | 27-31dis | -5.19 |
| Norway | 9.9780 - 10.0840 | 9.9875 - 9.9975 | 1¼-2¼oredis | -2.33 | 5¼-8dis | -2.70 |
| France | 7.9435 - 8.0205 | 7.9625 - 7.9725 | 3⅛-4cdis | -5.55 | 11⅛-12¼dis | -5.90 |
| Sweden | 10.7240 - 10.8230 | 10.7500 - 10.7600 | 2-4oredis | -3.35 | 7¼-9⅜dis | -3.11 |
| Japan | 172.00 - 174.20 | 172.00 - 173.00 | ½-⅜ypm | 3.04 | 1⅜-1¼pm | 2.90 |
| Austria | 16.48 - 16.63 | 16.48 - 16.51 | 1⅛-2⅛grodis | -1.59 | 5⅛-7⅛dis | -1.53 |
| Switzerland | 2.1650 - 2.1855 | 2.1675 - 2.1775 | ⅛-parcpm | 0.35 | ⅛-⅛pm | 0.46 |
| Ecu | 1.2090 - 1.2185 | 1.2115 - 1.2125 | 0.30-0.34cdis | -3.17 | 0.98-1.04dis | -3.33 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.80-1.75cpm. 12 Month 2.88-2.78pm.

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Feb 17 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4395 - 1.4565 | 1.4435 - 1.4445 | 0.36-0.34cpm | 2.91 | 1.05-1.02pm | 2.87 |
| Ireland† | 1.4930 - 1.5050 | 1.4960 - 1.4970 | 1.30-1.40cpm | 10.83 | 3.60-3.90pm | 10.02 |
| Canada | 1.2570 - 1.2640 | 1.2600 - 1.2610 | 0.26-0.30cdis | -2.67 | 0.86-0.95dis | -2.87 |
| Netherlands | 1.8240 - 1.8365 | 1.8315 - 1.8325 | 0.74-0.77cdis | -4.95 | 2.20-2.25dis | -4.86 |
| Belgium | 33.45 - 33.65 | 33.50 - 33.60 | 15.00-18.00cdis | -5.90 | 48.00-54.00dis | -6.08 |
| Denmark | 6.2270 - 6.2600 | 6.2425 - 6.2475 | 7.00-11.00oredis | -17.29 | 22.00-29.50dis | -16.17 |
| Germany | 1.6190 - 1.6315 | 1.6275 - 1.6285 | 0.70-0.72pfdis | -5.40 | 2.07-2.10dis | -5.29 |
| Portugal | 149.00 - 149.45 | 149.05 - 149.15 | 119-124cdis | -9.78 | 367-382dis | -10.05 |
| Spain | 116.05 - 117.45 | 117.30 - 117.40 | 95-108dis | -10.38 | 285-295dis | -9.88 |
| Italy | 1532.00 - 1558.00 | 1547.25 - 1547.75 | 9.50-10.50liredis | -7.75 | 30.60-31.60dis | -8.04 |
| Norway | 6.8875 - 6.9575 | 6.9175 - 6.9225 | 2.90-3.40oredis | -5.46 | 9.30-10.10dis | -5.61 |
| France | 5.4955 - 5.5290 | 5.5150 - 5.5200 | 3.70-3.90cdis | -8.26 | 11.85-12.15dis | -8.70 |
| Sweden | 7.3880 - 7.4750 | 7.4450 - 7.4500 | 3.40-4.20oredis | -6.12 | 10.50-11.70dis | -5.96 |
| Japan | 119.10 - 120.25 | 119.35 - 119.45 | 0.05dis-0.05ypm | - | 0.05dis-0.05pm | - |
| Austria | 11.4000 - 11.4770 | 11.4240 - 11.4290 | 4.20-4.55grodis | -4.59 | 12.75-13.85dis | -4.66 |
| Switzerland | 1.4910 - 1.5065 | 1.5045 - 1.5055 | 0.30-0.33cdis | -2.51 | 0.88-0.93dis | -2.41 |
| Ecu† | 1.1895 - 1.1975 | 1.1905 - 1.1915 | 0.61-0.60cpm | 6.10 | 1.84-1.82pm | 6.15 |

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

### EURO-CURRENCY INTEREST RATES

| Feb 17 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 5½ - 5¼ | 5⅞ - 5⅞ | 6⅜ - 6⅛ | 6⅛ - 6⅛ | 6 - 5⅞ | 5⅞ - 5⅝ |
| US Dollar | 3⅝ - 3½ | 3¼ - 3 | 3¼ - 3 | 3¼ - 3⅛ | 3⅜ - 3¼ | 3⅞ - 3¾ |
| Can. Dollar | 6⅝ - 6⅛ | 6¼ - 6 | 6 - 5⅞ | 6 - 5⅞ | 6⅛ - 6⅛ | 6⅞ - 6⅛ |
| Dutch Guilder | 8⅛ - 8⅛ | 8⅛ - 8⅛ | 8⅛ - 8⅛ | 8⅛ - 8⅛ | 7⅞ - 7⅞ | 7⅞ - 7⅞ |
| Swiss Franc | 6 - 5⅞ | 6 - 5⅞ | 5⅞ - 5⅝ | 5⅞ - 5⅞ | 5⅞ - 5⅞ | 5⅞ - 5⅞ |
| D-Mark | 8⅞ - 8⅝ | 8⅞ - 8⅞ | 8⅞ - 8⅞ | 8⅞ - 8⅞ | 8 - 7⅞ | 7⅞ - 7⅞ |
| French Franc | 11⅞ - 11¼ | 11⅞ - 11½ | 11⅞ - 11⅞ | 12 - 11⅞ | 11 - 10⅞ | 9⅞ - 9⅞ |
| Italian Lira | 13 - 11 | 11½ - 11 | 11½ - 11⅞ | 11⅞ - 11 | 11⅞ - 10⅞ | 11⅞ - 11 |
| Belgian Franc | 9⅛ - 9 | 9⅞ - 9⅞ | 9⅞ - 9⅞ | 9⅞ - 9⅞ | 8½ - 8⅞ | 8⅛ - 8 |
| Yen | 3⅛ - 3⅛ | 3⅞ - 3⅞ | 3⅛ - 3⅞ | 3⅞ - 3⅞ | 3⅛ - 3⅞ | 3⅛ - 3⅞ |
| Danish Krone | 16 - 14 | 20 - 15 | 21 - 17 | 19½ - 18 | 15 - 14 | 12½ - 11½ |
| Asian $Sing | 4 - 3 | 4 - 3 | 3½ - 2½ | 3¼ - 2¼ | 3¼ - 2¼ | 4 - 3 |
| Spanish Peseta | 13⅞ - 13½ | 13⅞ - 13⅝ | 14 - 13⅞ | 13⅞ - 13⅞ | 13⅛ - 13 | 12⅞ - 12⅞ |
| Portuguese Esc | 12⅛ - 11⅞ | 13⅛ - 13 | 13½ - 13 | 13⅞ - 13⅛ | 13⅞ - 13⅛ | 13⅛ - 12⅛ |

Long term Eurodollars: two years 4⅛-4⅛ per cent; three years 5-4⅞ per cent; four years 5⅛-5⅛ per cent; five years 5⅞-5⅛ per cent nominal. Short term rates are call for US Dollar and Japanese Yen, others, two days' notice.

### EXCHANGE CROSS RATES

| Feb.17 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr | Pta. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.444 | 2.350 | 172.5 | 7.968 | 2.173 | 2.646 | 2235 | 1.821 | 48.45 | 169.5 | 1.212 |
| $ | 0.693 | 1 | 1.627 | 119.5 | 5.518 | 1.505 | 1.832 | 1548 | 1.261 | 33.55 | 117.4 | 0.839 |
| DM | 0.426 | 0.614 | 1 | 73.40 | 3.391 | 0.925 | 1.126 | 951.1 | 0.775 | 20.62 | 72.13 | 0.516 |
| YEN | 5.797 | 8.371 | 13.62 | 1000. | 46.19 | 12.60 | 15.33 | 12957 | 10.56 | 280.9 | 982.6 | 7.026 |
| F Fr. | 1.255 | 1.812 | 2.949 | 216.5 | 10. | 2.727 | 3.320 | 2805 | 2.285 | 60.81 | 212.7 | 1.521 |
| S Fr. | 0.460 | 0.665 | 1.081 | 79.38 | 3.667 | 1 | 1.217 | 1029 | 0.838 | 22.30 | 78.00 | 0.558 |
| N Fl. | 0.378 | 0.546 | 0.888 | 65.22 | 3.012 | 0.822 | 1 | 845.0 | 0.688 | 18.32 | 64.08 | 0.458 |
| Lira | 0.447 | 0.646 | 1.051 | 77.18 | 3.565 | 0.972 | 1.183 | 1000. | 0.815 | 21.68 | 75.84 | 0.542 |
| C$ | 0.549 | 0.793 | 1.290 | 94.73 | 4.376 | 1.193 | 1.452 | 1227 | 1 | 26.61 | 93.08 | 0.666 |
| B Fr. | 2.064 | 2.980 | 4.850 | 356.0 | 16.45 | 4.485 | 5.459 | 4613 | 3.759 | 100. | 349.8 | 2.502 |
| Pta | 0.590 | 0.852 | 1.386 | 101.8 | 4.701 | 1.282 | 1.560 | 1319 | 1.074 | 28.58 | 100. | 0.715 |
| Ecu | 0.825 | 1.191 | 1.939 | 142.3 | 6.574 | 1.793 | 2.182 | 1844 | 1.502 | 39.98 | 139.9 | 1 |

Yen per 1,000. French Fr. per 10. Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE SWISS FRANC OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls March | Calls June | Calls September | Puts March | Puts June | Puts September |
|---|---|---|---|---|---|---|
| [illegible] | - | - | - | 0.01 | 0.14 | - |
| [illegible] | 1.31 | - | - | 0.03 | 0.22 | 0.43 |
| [illegible] | 0.45 | 2.45 | - | 0.15 | 0.35 | - |
| [illegible] | 0.07 | - | - | - | 0.60 | - |
| [illegible] | 0.01 | 1.10 | - | - | 0.94 | - |
| Open int. | 123 679 | 109 274 | 7 916 | 192 162 | 67 464 | 5,650 |

Estimated volume 27 496 * Total Open Interest 506 345
* All Yield & Open Interest figures are for the previous day

* Contracts traded on APT. Closing prices shown

### POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.4440 | 1.4090 | 1.4337 | 1.4263 | 1.4157 |

### BASE LENDING RATES

| | % |
|---|---|
| Adam & Company | 6 |
| Allied Trust Bank | 6 |
| AIB Bank | 6 |
| ●Henry Ansbacher | 6 |
| B & C Merchant Bank | 13 |
| Bank of Baroda | 6 |
| Banco Bilbao Vizcaya | 6 |
| Bank of Cyprus | 6 |
| Bank of Ireland | 6 |
| Bank of India | 6 |
| Bank of Scotland | 6 |
| Barclays Bank | 6 |
| Brit Bk of Mid East | 6 |
| ●Brown Shipley | 6 |
| CL Bank Nederland | 6 |
| Citibank NA | 6 |
| City Merchants Bank | 6 |
| Clydesdale Bank | 6 |
| The Co-operative Bank | 6 |
| Coutts & Co | 6 |
| Credit Lyonnais | 6 |
| Cyprus Popular Bank | 6 |
| Duncan Lawrie | 6 |
| Equatorial Bank plc | 6 |
| Exeter Bank Limited | 7 |
| Financial & Gen Bank | 7 |
| ●Robert Fleming & Co | 6 |
| Girobank | 6 |
| ●Guinness Mahon | 6 |
| Habib Bank AG Zurich | 6 |
| ●Hambros Bank | 6 |
| Hampshire Trust Plc | 13.5 |
| Heritable & Gen Inv Bk. | 6 |
| ●Hill Samuel | 6 |
| C. Hoare & Co | 6 |
| Hongkong & Shanghai | 6 |
| Julian Hodge Bank | 6 |
| ●Leopold Joseph & Sons | 6 |
| Lloyds Bank | 6 |
| Meghraj Bank Ltd | 6 |
| McDonnell Douglas Bk. | 6 |
| Midland Bank | 6 |
| Mount Banking | 6 |
| NatWestminster | 6 |
| Nykredit Mortgage Bnk | 6.5 |
| ●Rea Brothers | 6 |
| Roxburghe Bank Ltd | 6 |
| Royal Bk of Scotland | 6 |
| ●Smith & Williamson Secs. | 6 |
| Standard Chartered | 6 |
| TSB | 6 |
| Unibank plc | 6 |
| ●United Bk of Kuwait | 6 |
| Unity Trust Bank Plc | 6 |
| Western Trust | 6 |
| Whiteaway Laidlaw | 6 |
| Yorkshire Bank | 6 |

● Members of British Merchant Banking & Securities Houses Association

## MONEY MARKETS

# Sterling futures higher

SHORT STERLING futures staged a rally in late trading after Scandinavia Bank - rumoured to deal on behalf of George Soros, the international investor - bought actively.

In earlier trading the March and June contracts had drifted lower on the back of the Bank of England's quarterly inflation report and better than expected retail sales figures.

**UK clearing bank base lending rate**
**6 per cent**
**January 26, 1993**

The Bank's report warned that a further cut in interest rates could jeopardise the government's aim of defeating inflation. The retail sales figures, although widely leaked over the weekend, nevertheless heartened the market. Sales rose by 1.6 per cent in January, month-on-month, against expectations of a 0.5 per cent monthly increase.

In the last 15 minutes of trading, the June contract rallied to 94.50, although this was still below the previous close of 94.67. The March contract closed at around 93.98, six basis points below the previous night's close.

Traders said that two weeks ago the market was pricing in a rate cut at around the time of the Budget next month, but that it had now become sceptical about early monetary easing. This conflicted with the prevailing view on the foreign exchanges that the government would put its desire to see economic recovery ahead of its low-inflation goal.

"Today people are talking about the government waiting until the summer for another rate cut, if we are to get one at all," said one money market dealer.

Interbank rates were once again fairly static although easy liquidity meant that rates at the shorter end eased. the Bank's forecast liquidity shortage was £200m. This was relieved in the afternoon when the Bank purchased £208m of band-1 bank bills at 5¼ per cent. The overnight rate stayed at around 5 per cent for most of the day.

Trading in French Pibor futures was described by one dealer as "weird". The March contract fell about ten basis points from the previous close to 88.39, but the June contract added the same to end at 90.85.

Dealers said there was still talk of a base rate rise in France, with investors still worrying about the ability of a new centre-right government's to hold the franc in the European monetary system.

In Germany, sentiment about rates remained positive, boosted by hopes of continued moderate wage agreements.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Feb.17) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 3¼ | offer 3¼ | bid 3¼ | offer 3⅜ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** — Treasury Bills and Bonds

| Lunchtime | | | | | |
|---|---|---|---|---|---|
| Prime rate | 6 | One month | 2.83 | Three year | 4.58 |
| Broker loan rate | 5 | Two month | 2.81 | Five year | 5.45 |
| Fed.funds | 3¼ | Three month | 2.97 | Seven year | 5.91 |
| Fed funds at intervention | - | Six month | 3.16 | 10-year | 6.30 |
| | | One year | 3.40 | 30-year | 7.12 |
| | | Two year | 4.08 | | |

| Feb.17 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 8.55-8.65 | 8.45-8.60 | 8.35-8.50 | 8.25-8.40 | 7.85-8.00 | 9.00 |
| Paris | 11¼-11¼ | 11¼-12¼ | - | 11¼-12¼ | - | 9.10 |
| Zurich | 6⅞-7¼ | 5⅞-5¼ | - | 5½-5⅞ | - | - |
| Amsterdam | 8.25-8.31 | 8.22-8.32 | - | 8.02-8.12 | - | - |
| Tokyo | 3¼-3¼ | 3⅛-3¼ | - | - | - | - |
| Milan | 11⅞-11⅞ | 11⅞ | - | 11⅞-11⅞ | - | - |
| Brussels | - | 9⅞-9⅞ | - | 9⅞-9⅞ | - | - |
| Dublin | 13½-13¼ | 15-15¼ | 14¼-14¼ | 14-14½ | 13¼-13¼ | - |

### LONDON MONEY RATES

| Feb 17 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 5⅞ | 5⅞ | 6¼ | 6¼ | 6 | 5⅞ |
| Interbank Bid | 4 | 5⅞ | 6⅛ | 6⅛ | 5⅞ | 5⅞ |
| Sterling CDs | - | - | 6⅛ | 6⅛ | 5⅞ | 5⅞ |
| Local Authority Deps. | 5½ | 5¼ | 6¼ | 6⅛ | 5⅞ | 5⅞ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 5½ | 5¼ | - | - | - | - |
| Company Deposits | - | - | - | - | - | - |
| Finance House Deposits | - | - | - | - | - | - |
| Treasury Bills (Buy) | - | - | 6⅛ | 6¼ | 5⅞ | 5⅞ |
| Bank Bills (Buy) | - | - | 5⅞ | 5⅞ | 5⅞ | - |
| Fine Trade Bills (Buy) | - | - | 5⅞ | 5⅞ | 5⅞ | - |
| Dollar CDs | - | - | 3.05 | 3.12 | 3.22 | 3.50 |
| SDR Linked Dep. Offer | - | - | 5½ | 5⅛ | 5¼ | 5¼ |
| SDR Linked Dep. Bid | - | - | 5⅛ | 5⅛ | 5¼ | 5 |
| ECU Linked Dep. Offer | - | - | 9¼ | 9⅞ | 9⅞ | 8¾ |
| ECU Linked Dep. Bid | - | - | 9½ | 9⅞ | 8⅞ | 8½ |

Treasury Bills (sell); one-month 5⅞ per cent; three months 5½ per cent; six months 5⅜ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5½ per cent; Treasury Bills, Average tender rate of discount 5.3316. ECGD Fixed Rate Sterling Export Finance. Make up day January 29, 1993. Agreed rates for period February 24, 1993 to March 23, 1993, Scheme I, 8.32 p.c., Schemes II & III: 8.20 p.c. Reference rate for period January 1, 1993 to January 29, 1993, Scheme IV&V: 7.0 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from February 1, 1993: Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 4¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¾ per cent from Jan.27, 1993. Deposits withdrawn for cash 1¼ per cent.



## MONEY MARKET FUNDS

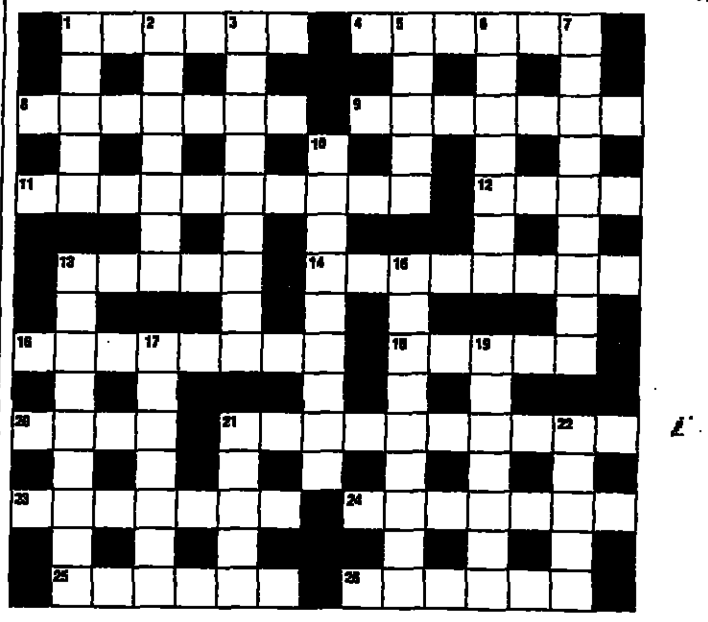
### Money Market Trust Funds

### Money Market Bank Accounts

[illegible]

## CROSSWORD

No.8,080 Set by ALAUN



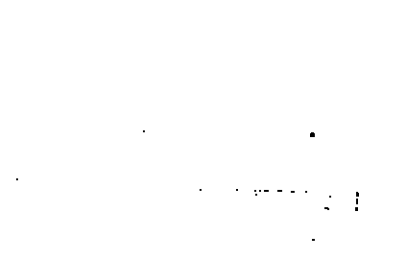
ACROSS

1 A hoot and a holler! (6)
4 See just how deep the blue is (6)
8 Continue obstinately to misspell "sprites" (7)
9 He doesn't like people about, having clues to work on (7)
11 In any way you can, of course (2,3,5)
12 Only the N is missing from "plant" (4)
13 Add up to sorcery (5)
14 Moving about on board, try to catch fish (8)
16 Was held up by, threatened and intimidated (6,2)
18 She sang off key on it (5)
20 Blow the report! (4)
21 That's fixed it. Have to give up roaming (6,4)
23 M-A-I-L? (7)
24 Free from the terrible communist clutches, returned (7)
25 Reconsider and buy back (6)
26 Shoe professor Higgins would have recognised instantly (6)

DOWN

1 How a chicken with the pip feels? (5)
2 Decide the sun shield must be always up (7)
3 Gathered the fool, having knocked me over, was truly sorry (9)
5 Says we must start with textile workers (5)
6 Bag and keep the lot in custody (7)
7 Gets a wrong number (9)
10 A vet in order to introduce a small quantity must inject (9)
13 Be unhappy about the appointment to have a share-out (4,1,4)
15 Peanuts ordered at the bar (5,4)
17 Said one didn't have information that was up-to-date, anyhow (7)
19 Agreeably sleepy? (7)
21 Start the game, do (5)
22 At what point do we seize the female? (5)

Solution to Puzzle No.8,079



# WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

## CANADA

TORONTO

4 pm close February 17

MONTREAL

4 pm close February 17

Total Sales 16,471,300 shares

## INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

| | Feb 17 | Feb 16 | Feb 15 | Feb 12 | 1992/93 HIGH | 1992/93 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1601.3 | 1612.1 | 1598.5 | 1603.5 | 1684.50 (22/5/92) | 1357.20 (16/11/92) |
| All Mining (1/1/80) | 620.6 | 627.0 | 619.8 | 626.7 | 726.80 (3/7/92) | 545.40 (16/11/92) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 337.66 | 340.50 | 335.83 | 332.74 | 458.57 (24/2/92) | 291.41 (13/8/92) |
| Traded Index (2/1/91) | 807.38 | 815.18 | 801.33 | 781.01 | 1099.43 (24/2/92) | 682.96 (13/8/92) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1202.56 | 1207.57 | 1211.05 | 1212.53 | 1235.40 (2/6/92) | 1046.07 (2/9/92) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 281.37 | 284.45 | 284.83 | 283.83 | 365.29 (15/1/92) | 250.42 (28/10/92) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 911.0 | 920.2 | 918.5 | 926.2 | 935.90 (24/2/92) | 541.00 (7/9/92) |
| **FRANCE** | | | | | | |
| CAC General (31/12/81) | 497.03 | 501.23 | 503.01 | 500.29 | 555.93 (12/5/92) | 441.70 (7/10/92) |
| CAC 40 (31/12/87) | 1904.97 | 1878.17 | 1899.49 | 1911.97 | 2077.49 (11/5/92) | 1611.04 (5/10/92) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 651.06 | 654.13 | 652.26 | 653.85 | 725.28 (26/5/92) | 585.61 (12/10/92) |
| Commerzbank (1/12/53) | 1842.60 | 1852.20 | 1846.60 | 1851.20 | 2043.80 (25/5/92) | 1594.80 (12/10/92) |
| DAX (30/12/87) | 1653.28 | 1664.22 | 1664.71 | 1661.43 | 1811.57 (25/5/92) | 1420.30 (6/10/92) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 6087.46 | 6065.62 | 6049.44 | 5858.15 | 6447.11 (12/11/92) | 4301.78 (2/1/92) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1258.41 | 1277.68 | 1302.00 | 1295.61 | 1489.57 (17/1/92) | 1094.98 (19/10/92) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 496.53 | 500.27 | 500.25 | 492.13 | 551.59 (6/2/92) | 354.93 (16/9/92) |
| MIB General (4/1/93) | 1100.0 | 1105.0 | 1105.0 | 1087.0 | 1125.00 (8/2/93) | 992.00 (11/1/93) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 17009.63 | 16918.32 | 17117.99 | 16951.51 | 23801.18 (6/1/92) | 14309.41 (18/8/92) |
| Tokyo SE (Topix) (4/1/68) | 1293.27 | 1292.33 | 1300.76 | 1288.95 | 1763.43 (6/1/92) | 1102.50 (18/8/92) |
| 2nd Section (4/1/68) | 1694.71 | 1695.86 | 1696.42 | 1698.39 | 2459.85 (6/1/92) | 1602.77 (19/8/92) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 625.61 | 635.01 | 634.91 | 635.42 | 660.35 (5/11/92) | 546.63 (14/1/92) |
| **NETHERLANDS** | | | | | | |
| CBS Tll.Rtn.Gen.(End 1983) | 305.2 | 306.5 | 309.4 | 309.4 | 314.90 (9/6/92) | 274.00 (6/1/92) |
| CBS All Shr (End 1983) | 206.1 | 206.3 | 208.3 | 208.3 | 215.50 (26/5/92) | 188.70 (25/8/92) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 707.67 | 717.85 | 719.88 | 727.38 | 772.74 (18/5/92) | 532.49 (25/8/92) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1409.11 | 1413.08 | 1406.09 | 1404.65 | 1580.95 (11/6/92) | 1083.01 (17/3/92) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 410.15 | 413.18 | 410.26 | 410.17 | 416.99 (21/1/92) | 351.41 (21/10/92) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1050.0♥ | 1008.0 | 981.0 | 964.0 | 1327.00 (21/1/92) | 746.00 (10/11/92) |
| JSE Industrial (28/9/78) | 4528.0♥ | 4584.0 | 4550.0 | 4572.0 | 4589.00 (4/6/92) | 3936.00 (19/10/92) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 685.12 | 672.22 | 677.52 | 683.40 | 709.77 (9/1/93) | 459.07 (21/8/92) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 232.50 | 233.45 † | 236.70 | 236.38 | 266.51 (28/2/92) | 179.48 (5/10/92) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 974.00 | 984.60 | 983.70 | 981.20 | 1014.50 (11/5/92) | 639.00 (5/10/92) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 936.2 | 942.6 | 947.5 | 942.9 | 947.50 (15/2/93) | 746.50 (8/1/92) |
| SBC General (1/4/87) | 714.3 | 718.7 | 722.6 | 721.1 | 722.60 (15/2/93) | 596.40 (25/8/92) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 4001.16 | 3874.73 | 3876.76 | 3775.19 | 5391.63 (30/1/92) | 3088.43 (9/1/93) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 973.24 | 988.65 | 998.33 | 998.36 | 998.44 (25/1/93) | 667.84 (19/5/92) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) $ | 500.4* | 500.4 | 504.9 | 504.3 | 542.10 (7/1/92) | 487.50 (6/4/92) |
| Euro Top-100 (26/6/90) | 911.05 | 913.43 | 918.95 | 920.33 | 976.55 (25/5/92) | 772.52 (5/10/92) |

**Saturday February 13: Taiwan Weighted Price: 3,863.45, Korea Comp Ex. 677.33

♥ Subject to official recalculation. † Correction.

*Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

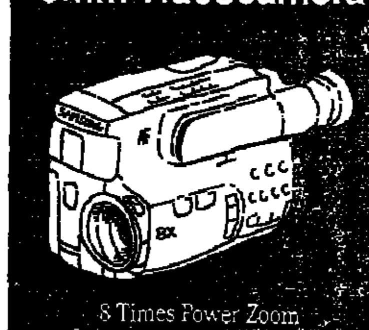
Wednesday, 17th February, 1993

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nagase & Co | 4.1m | 874 | +21 |
| Isuzu Motor | 3.1m | 374 | -1 |
| Kokusai Elec | 3.1m | 812 | +10 |
| Citizen Watch | 2.9m | 939 | -2 |
| Daikyo Kanko | 2.7m | 884 | +29 |
| Hitachi | 2.7m | 878 | -7 |
| Npn Steel Corp | 2.3m | 294 | -1 |
| Kanematsu Corp | 2.3m | 412 | +28 |
| Chiba Bank | 2.1m | 885 | -15 |
| Sekisui House | 1.8m | 979 | +24 |

*4 pm close February 17*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1992/93 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15⅞ | 10¾ | AAR Corp | 0.48 | 4.1 | 21 | 124 | 11⅞ | 11¾ | 11¾ | |
| 28½ | 18 | A L Labs A | 0.18 | 0.8 | 146 | 725 | 25¼ | 23 | 23½ | -2¼ |
| 68¾ | 52⅞ | AMP Inc | 1.60 | 2.9 | 20 | 1316 | 56¼ | 55¼ | 55½ | -½ |
| 80¼ | 54⅞ | AMR | | | 9 | 10324 | 61 | 58¾ | 58⅝ | -1 |
| 2⅜ | 1⅜ | ARX | | | 10 | 45 | 2 | 1¾ | 1¾ | -⅛ |
| 53½ | 29⅞ | ASA x | 2.00 | 5.6 | 23 | 631 | 36¼ | 35⅝ | 35¾ | +¼ |
| 34¼ | 25 | Abbott Lab | 0.60 | 2.3 | 17 | 18499 | 26½ | d25¼ | 25½ | +⅞ |
| 13⅞ | 10⅞ | Abitibi Pr | 0.50 | 4.5 | 4 | 9 | 10⅞ | 10⅞ | 11 | |
| 11⅝ | 10⅛ | ACM Gvt In x | 0.96 | 8.5 | | 150 | 11⅜ | 11¼ | 11¼ | |
| 10⅜ | 9 | ACM GvOpp x | 0.80 | 8.6 | | 99 | 9⅜ | 9¼ | 9¼ | -⅛ |
| 9¾ | 8½ | ACM Gvt Sp | 0.80 | 8.5 | | 178 | 9⅜ | 9¼ | 9⅜ | +⅛ |
| 11⅜ | 9⅞ | ACM Gvt Se | 0.96 | 8.8 | | 215 | 11 | 10⅞ | 10⅞ | -⅛ |
| 10⅝ | 8⅝ | ACM Man x | 1.08 | 10.7 | | 137 | 10⅛ | 10 | 10⅛ | |
| 12⅞ | 8⅝ | ACM Mangd x | 0.78 | 8.4 | | 101 | 9¼ | 9⅛ | 9¼ | |
| 11¾ | 4¾ | Acme Cleve | 0.40 | 5.2 | 16 | 65 | 8¼ | 7¾ | 7¾ | -⅜ |
| 9¼ | 3¾ | Acme Elect | | | 737 | 49 | 7⅝ | 7⅜ | 7⅜ | -⅜ |
| 33¼ | 13½ | Acuson | | | 11 | 907 | 13½ | d12⅞ | 12⅞ | -⅝ |
| 21⅛ | 18⅛ | Adams Expr x | 0.49 | 2.5 | 1 | 170 | 20⅝ | 20½ | 20⅝ | |
| 50 | 29½ | Ad Micro | 3.00 | 6.2 | | 273 | 48¾ | 47¾ | 48¾ | +¼ |
| 21½ | 7½ | Ad Micro P | 3.00 | 14.7 | 7 | 8006 | 20⅝ | 19⅞ | 20⅜ | +¼ |
| 9⅛ | 4⅞ | Advest Grp | 0.16 | 2.6 | 12 | 106 | 6¼ | 6⅛ | 6⅛ | |
| 45⅜ | 33 | Aegon ADR | 1.35 | 3.1 | 8 | 10 | 44½ | 44¼ | 44¼ | |
| 53¾ | 38 | Aetna Lf | 2.76 | 5.8 | 13 | 3763 | 48⅛ | 47 | 47¼ | -⅞ |
| 14½ | 8⅜ | Affil A x | 0.24 | 2.0 | 29 | 538 | 12⅛ | 11⅝ | 11¾ | -⅜ |
| 36½ | 24 | Aflac x | 0.44 | 1.3 | 16 | 1059 | 35⅛ | 34⅝ | 34⅞ | -⅜ |
| 22⅛ | 13 | Ahmanson x | 0.88 | 4.7 | 9 | 4439 | 19⅝ | 18½ | 18⅝ | -¾ |
| 22½ | 4 | Aileen Inc | | | 11 | 130 | 6¾ | 6½ | 6⅝ | |
| 49½ | 36½ | Air Pr Chm | 0.86 | 2.0 | 17 | 3030 | 43⅞ | 42¾ | 42¾ | -1 |
| 28¾ | 12½ | Airtrna Frt x | 0.30 | 1.5 | 166 | 674 | 20⅞ | 20 | 20 | -.70 |




Continued on next page

# NYSE COMPOSITE PRICES

| 1992/93 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|

Continued from previous page

| 1992/93 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 22⅝ | 14⅞ | Ruddick | 0.24 | 1.1 | 18 | 105 | 21¾ | 21⅛ | 21½ | -¼ |
| 37 | 18 | RussBerrie | 0.70 | 2.8 | 6 | 1588 | 26⅝ | 25¼ | 26½ | -¼ |
| 40⅜ | 27¾ | Russell Cp | 0.38 | 1.1 | 16 | 266 | 33⅞ | 33 | 33⅝ | |
| 32¼ | 19⅝ | Ryder Syst | 0.60 | 2.1 | 19 | 3870 | 29½ | 28 | 28¼ | -½ |
| 28 | 18 | Ryland Grp | 0.60 | 3.2 | 11 | 424 | 18⅞ | 18½ | 18¾ | +⅛ |

- S -

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 21 | 16⅞ | S Anita Rl | 1.36 | 6.8 | 27 | 187 | 20¼ | 19⅞ | 20 | |
| 20¼ | 13⅛ | SCOR US Cp | 0.28 | 1.4 | 17 | 11 | u20⅜ | 20 | 20⅜ | +⅛ |
| 29½ | 18 | SPS Techno | 1.28 | 6.1 | 15 | 687 | 21¼ | 20⅝ | 21⅛ | +1⅛ |
| 15⅛ | 12⅛ | Sabine Rl x | 1.25 | 9.4 | 10 | 23 | 13¼ | 13⅛ | 13¼ | |
| 11⅞ | 7¾ | Safecard | 0.10 | 0.9 | 14 | 759 | 10⅝ | 10½ | 10⅝ | |
| 23½ | 11⅜ | Safeg'd Sc | | | 10 | 76 | 20¼ | 19⅞ | 19⅞ | -⅛ |
| 32¼ | 21¾ | SafetyKln | 0.36 | 1.7 | 27 | 1974 | 22⅜ | d21⅝ | 21¾ | -¼ |
| 20¼ | 9⅝ | Safeway | | | 15 | 1178 | 12⅝ | 12¼ | 12½ | +⅛ |
| 4⅝ | 2 | SafewayW96 | | | | 236 | 2½ | 2⅜ | 2⅜ | +⅛ |
| 41⅞ | 29⅞ | StJoePaper | 0.20 | 0.5 | 43 | 18 | 38¼ | 38⅛ | 38⅛ | +⅛ |
| 34¾ | 28⅞ | StJosL&P | 1.76 | 5.2 | 15 | 7 | 33¾ | 33½ | 33⅝ | |
| 83¼ | 66½ | St Paul's | 2.80 | 3.5 | 20 | 324 | 79 | 78¼ | 79 | +½ |
| 10 | 2⅞ | Salant Crp | | | 8 | 31 | 9 | 8⅝ | 9 | +⅜ |
| 76 | 56⅝ | Sallie Mae | 1.20 | 2.1 | 13 | 7517 | 57 | d56 | 56½ | -⅛ |
| 14⅞ | 13 | Salomon Br x | 0.61 | 4.6 | | 1020 | 13¼ | d13 | 13⅛ | -⅛ |
| 41⅞ | 26¾ | SalomonInc | 0.64 | 1.6 | 6 | 1852 | 39⅞ | 39¼ | 39¾ | +½ |
| 25⅝ | 21¼ | SanDgo G&E | 1.44 | 5.7 | 14 | 355 | 25¼ | 25 | 25¼ | |
| 4⅜ | 2⅛ | SantaFeEDo | 0.40 | 9.7 | 45 | 151 | 4⅛ | 3⅞ | 4⅛ | +¼ |
| 9⅞ | 7 | SantaFeERs | 0.16 | 1.7 | 137 | 482 | 10⅞ | 9⅝ | 9⅝ | |
| 39¾ | 30¾ | SantaFePac | 2.80 | 7.4 | 13 | 43 | 37⅝ | 37½ | 37⅝ | +⅛ |
| 15⅛ | 10⅝ | SantaFeSth | 0.10 | 0.7 | 40 | 4218 | 14⅛ | 13½ | 13⅞ | -⅛ |
| 32½ | 27 | Sara Lee | 0.58 | 2.1 | 20 | 4894 | 28¼ | 27¾ | 27⅞ | -⅜ |
| 44¾ | 38⅝ | Scana Corp | 2.68 | 6.1 | 15 | 737 | 44⅜ | 43¾ | 44¼ | +⅜ |

[illegible]

# NASDAQ NATIONAL MARKET

4 pm close February 17

[illegible]

# AMEX COMPOSITE PRICES

4 pm close February 17

[illegible]

AMERICA

# Dow trades narrowly after Tuesday's drama

## Wall Street

AFTER the dramas of Tuesday, US stock markets were calmer at midsession, with share prices spending most of the morning in a narrow range either side of opening values, *writes Patrick Harverson in New York*. Secondary stocks, however, continued to be plagued by heavy selling.

At 1 pm, the Dow Jones Industrial Average was up 5.67 at 3,315.16. The more broadly based Standard & Poor's 500 was down 0.82 at 433.09, while the Amex composite was 4.38 lower at 401.43, and the Nasdaq composite down 6.33 at 669.06. Trading volume on the NYSE was 175m shares by 1 pm.

The markets opened in a solemn mood, with dealers and investors digesting the implications of Tuesday's 83-point fall in the Dow, which had been triggered by President Bill Clinton's announcement that he will raise taxes levied on both middle-class and higher paid Americans.

Although few observers believe that the sell-off presages a sizeable correction in the market, some investment strategists yesterday recommended that aggressive investors should shift some of their assets from stocks to cash for the immediate term.

As expected, there was some sporadic buying early on as bargain hunters went in search of stocks which might have been oversold during Tuesday's frenzy. Otherwise, there was little demand in the market, with most investors choosing to sit out the day until the president's State of the Union address to Congress.

Among individual sectors, selected cyclicals staged a modest rally: Alcoa firmed $1⅛ to $73⅛, International Paper added $⅜ at $65⅝, and Goodyear rose $1⅛ to $67.

Many leading drug stocks, which were hardest hit on Tuesday, remained under pressure. Bristol-Myers Squibb fell another $⅞ to $58⅞, Merck slipped $⅜ to $37⅞ in volume of 2.3m shares, Johnson & Johnson gave up $⅝ at $42¼, and Pfizer dropped $⅛ to $59⅝.

One of the day's biggest gains was posted by Hewlett-Packard, which jumped $2⅞ to $70 in volume of 1.2m shares after announcing better than expected first quarter profits of $1.03 a share. Analysts said that they were pleased with the company's control of expenses and its order growth.

Hewlett's strong showing gave a modest lift to other computer stocks, with Digital Equipment up $⅛ at $42, IBM $⅛ firmer at $50⅛ and Motorola $1 better at $53⅝.

On the Nasdaq market, healthcare and medical stocks continued to suffer with US Healthcare falling $1⅛ to $44⅞ and Amgen dropping $1⅞ to $48.

## Canada

TORONTO was modestly higher at midsession but many investors were reluctant to take positions ahead of the presentation of President Clinton's economic proposals to the US last night.

The TSE-300 index was 4.60 higher at 3,415.10 in volume of 21.2m shares valued at C$208.2m. The real estate sector led the gains, bolstered by expectations of creditor approval of Bramalea's debt plan later this week. The shares gained C$0.05 to C$0.57.

EUROPE

# Paris strengthens on hopes of rate cuts

MANY continental markets reflected nervousness ahead of last night's State of the Union address in the US, *writes Our Markets Staff*.

PARIS built up momentum towards the close with strong performances from the financial sector on renewed hopes of an easing in European interest rates. The CAC-40 index, which had been as low as 1,887 earlier, finished 26.80 higher at 1,904.97, a gain of 1.4 per cent on the day. Turnover was also strong at FFr3.1bn after Tuesday's FFr2.4bn.

A slight easing in the Bundesbank's variable money market rate also helped to encourage the belief that interest rates will come down in the short term. UAP gained FFr15 to FFr544, Suez rose FFr7.00 to FFr287.20 and Société Générale put on FFr2 to FFr626.

Rhône-Poulenc, whose 1992 results were well received, saw its investment certificates improve FFr8 to FFr550 while the shares eased FFr1 to FFr546 ahead of entering the CAC on Monday.

FRANKFURT recovered from Tuesday's post-bourse fall of about 20 points in the DAX index, following that day's tumble in the Dow. The DAX closed only 10.96 lower at 1,653.26 as selling pressure failed to materialise.

Turnover fell from DM7.3bn to DM6.1bn. Dealers said that foreign investors, who had taken their profits on Wall Street, were putting some of their money into the D-Mark via German equities. Siemens, they said, was a case in point as it closed only DM1.70 lower at DM650.

Elsewhere there were falls virtually across the board in financials, carmakers and chemicals. In the latter sector, Degussa emerged with less damage than most, slipping DM1.50 to DM358.50 after a 14 per cent gain in December quarter profits was offset by a forecast of nil profits growth for the full year.

ZURICH saw selling in chemicals on fears over the President Bill Clinton's planned reduction in US health care costs. The SMI index fell 17.5 to 2,112.9 as Roche certificates slipped SFr70 to SFr4,100 and Ciba-Geigy fell SFr11 to SFr665.

In industrials, Brown Boveri and the cement producer Holderbank, fell by SFr50 to SFr3,880 and SFr7 to SFr584 respectively.

MILAN, beset by rumours regarding Fiat and Olivetti, came back from a weak opening, the Comit index closing 1.74 lower at 498.53. Turnover was estimated to be in line with Tuesday's L242bn.

Fiat has been influencing the market throughout the week as investors continue to ignore the group's denial that it plans either to sell some of its assets, is about to announce a joint venture or that Deutsche Bank is to lift its shareholding. The shares fixed down L150 at L4,949 before rising to L5,270 on the kerb.

Olivetti became the latest subject of speculation as some investors took the view that Stet might be interested in the group but, as with Fiat, there was no substance to the reports. Olivetti fixed L99 higher at L2,020.

STOCKHOLM saw a decline in Astra following the decline in US pharmaceutical stocks overnight. The pharmaceutical stock had been strong ahead of next week's 1992 results but the B lost SKr13 to SKr689 yesterday, as the Affärsvärlden general index fell 10.6 to 974.0 in high turnover of some SKr1.1bn after Tuesday's SKr724m. Volvo was another big loser with a SKr14 decline in the B shares to SKr380.

MADRID reacted to pressure on the peseta, which came under heavy pressure against the D-Mark in foreign exchange markets. The general index closed 0.95 lower at 232.50.

AMSTERDAM marked time, Royal Dutch picking up 80 cents to Fl 153.10, following the completion of Opec talks in Vienna, while the CBS tendency index slipped 0.6 to 97.7.

ISTANBUL soared 8.6 per cent to an all-time-high of 5,756.49, compared with the previous high of 5,749.69 on August 2, 1990, the day Iraq invaded Kuwait. Turnover also hit an all-time high, of TL800bn.

Brokers said that reports of major deposit rate cuts planned by three leading banks, sharp rate falls in the bond markets and cash flooding the lira market due to bulky bond maturities all helped boost demand.

**FT-SE Actuaries Share Indices** — THE EUROPEAN SERIES

| February 17 / Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1115.62 | 1116.92 | 1118.17 | 1118.44 | 1118.18 | 1118.38 | 1119.86 | 1121.77 |
| FT-SE Eurotrack 200 | 1172.10 | 1173.03 | 1173.10 | 1174.66 | 1171.80 | 1172.21 | 1172.97 | 1173.51 |

| | Feb 16 | Feb 15 | Feb 12 | Feb 11 | Feb 10 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1123.14 | 1132.97 | 1129.97 | 1126.71 | 1121.50 |
| FT-SE Eurotrack 200 | 1179.54 | 1184.15 | 1181.05 | 1175.45 | 1171.08 |

Base value 1000 (26/10/90) Highday: 100 - 1122.32; 200 - 1175.86 Lowday: 100 - 1115.62 200 - 1170.25

ASIA PACIFIC

# Nikkei recovers as region responds to slide in Dow

## Tokyo

LATE buying by public pension funds came to the aid of share prices, and the Nikkei average recouped an earlier decline prompted by the overnight fall on Wall Street, *writes Emiko Terazono in Tokyo*.

The Nikkei finished a net 93.31 higher at 17,009.63, after falling to the day's low of 16,760.81 in the morning session as investors were discouraged by Tuesday's tumble in the Dow. Index-linked buying and support from public funds prompted the rally in equity prices just before the close.

Volume contracted to 200m shares from 229m. Declines still outscored gains by 521 to 413 at the close, with 188 issues unchanged. The Topix index of all first section stocks was finally up 0.94 at 1,233.27, and in London the ISE/Nikkei 50 index lost 2.35 at 1,038.54.

Investors were inhibited by another rise in the yen, which moved above the Y1.20 level against the dollar for the first time since October. Mr Yasushi Mieno, governor of the Bank of Japan, expressed concern over the sharp fluctuations.

Mr Masao Suzaki, an economist at the Bank of Tokyo, said Japan would probably have to endorse a higher yen in the face of a surging trade surplus, which rose by 39.4 per cent last month amid increasing pressure by the US on the Japanese government to lift domestic demand.

Some export-oriented, high-technology issues were sold on the stronger yen. Hitachi receded Y7 to Y678, falling below its 1992 low of Y685. Electric power companies, in contrast, gained on the same score. Tokyo Electric Power moved forward Y10 to Y2,590, Tohoku Electric Power Y40 to Y2,370 and Shikoku Electric Power Y20 to Y2,500.

Retail issues encountered bargain hunting by foreign investors. Mitsukoshi advanced Y18 to Y740 and Tokyu Y13 to Y569.

Dealers dabbled in Aids-related stocks. Nagase, a chemical trading company, was the most active issue of the day, climbing Y21 to Y874. Kanematsu, a medium-sized trading company, rose Y36 to Y412.

Housing-related shares were also bought by dealers. Daikyo, the leading condominium builder, moved ahead Y29 to Y864. Sekisui House, which had been sold ahead of its equity-linked bond issue, recovered Y24 to Y978. Nichias, a construction materials maker, put on Y18 at Y487.

In Osaka, the OSE average dipped 73.64 to 18,332.64 in volume of 71m shares.

## Roundup

THE REGION offered a moderate and by no means unanimous response to events in New York.

AUSTRALIA partially recovered to end with the All Ordinaries index only 10.8 down at 1,601.3 after an early 1,593.3. Turnover came to a heavy 146.52m shares worth A$370m.

The index was dragged down by the US-linked News Corp, down 50 cents at A$29.94 in turnover of A$50.24m. Banks, particularly ANZ, saved the market from worse damage. ANZ topped industrial turnover for the second day amid continuing takeover speculation, and closed 9 cents stronger at A$3.40.

NEW ZEALAND was so fortunate, the NZSE-40 index falling 20.94 to 1,600.71. Volume was heavy at NZ$66m, some NZ$41m of that due to Telecom, down 8 cents at NZ$2.75 after a sharp rise on staffing cuts on Tuesday. Fletcher Challenge slipped 6 cents to NZ$2.55 after posting interim profits at the top end of expectations.

SINGAPORE's Straits Times Industrial index declined 12.80 to 1,616.56 in volume of 120m shares, against 116.3m on Wednesday.

KUALA LUMPUR added further profit-taking to the Wall Street influence and the KLSE composite index finished 9.20 lower at 625.81.

BANGKOK was unable to recover from a wave of early panic selling over the announcement that First City Investment was forced to defer repaying matured deposits. The SET index closed at 973.24, down 13.41, with the banking, finance and property sectors suffering the most.

TAIWAN, seemingly untouched by the Dow, climbed 3.3 per cent in hectic trade. The weighted index ended 126.43 higher at 4,001.16 on a wave of late buying, turnover expanding from T$31.8bn to a very heavy T$43.25bn.

Financials, which had been rallying on signs of improving profits and links to the premier-designate, Lien Chan, remained particularly strong.

HONG KONG finished moderately higher after a day of wide swings on rumours that Sino-British talks on Hong Kong's political future could resume. The Hang Seng index closed 21.84 ahead at 5,487.05 after opening 36 points down. Turnover shrank from HK$4.29bn to HK$3.27bn.

Sun Hung Kai Properties topped the actives list and advanced HK$1 to HK$31.75.

## SOUTH AFRICA

GOLD shares again led the way on overseas interest, the index improving another 42 to 1,050 with Vaal Reefs R4 ahead at R185. The rise was not reflected elsewhere as industrials lost 54 to 4,528 and the overall index 24 to 3,483.

# Leaders and laggards from Latin America

January offered a mixed outturn from the world's emerging markets, writes **John Pitt**

The new year opened with strong performances in a number of the world's emerging markets.

In Latin America, Chile led the way, far outperforming the region in dollar terms, according to data supplied by the IFC, part of the World Bank. Thailand also had a promising start to 1993 and, until a setback this week, had been building on those gains in February; Turkey and Greece also feature among the leaders.

Chile received a boost in January following a long-awaited announcement of capital market reforms designed to broaden the range of investment options available to private pension funds (AFPs). This measure allows them to extend their investment portfolios beyond the 40 most liquid stocks. Later in the month activity was stimulated further when the central bank said that pension funds could invest up to 1 per cent of their assets in approved companies.

The effect of these measures was to boost the IPSA index by about 12 per cent on the month – average daily turnover more than doubled to some $28m.

First Boston, in a Latin American strategy document, comments that the outlook for Chilean equities remains positive, helped by the rosier economic outlook. "Chile is expected to register a real GDP growth rate of 9.7 per cent in 1992, which would be the best performance in some 30 years," the report says. "Despite strong growth the year-to-year inflation fell to 12.7 per cent in 1992, down from 1991's 18.3 per cent and 1990's 27.3 per cent."

However, this must be set against high interest rates and the strength of the peso, which has had a negative effect on exports – these account for some 30 per cent of GDP.

Conversely, Latin America also saw the worst performer on the month as Venezuela dropped by more than 13 per cent in dollar terms. According to Latin American Securities in London, public demonstrations against alleged electoral fraud in December's local elections and rumours of another coup attempt led to the market's sharp decline.

Some confidence returned as January drew to a close with the stock exchange proposing a number of measures to improve the market's transparency and efficiency. With presidential elections scheduled for December, most analysts expect the market's volatility to continue throughout 1993.

Thailand, benefiting from good economic data, briefly saw the SET index testing the 1,000 level, while declining interest rates also encouraged a switch into equities.

Mr David Bates of Asia Equity says the rally was focused on the bank and finance sectors following better than expected results from the former. However, there was not enough momentum for the SET index to consolidate around the 1,000 mark. He expects a short term technical correction to bring the market back to around 930 to 940.

**IFC EMERGING MARKETS PRICE INDICES**

| Market | No. of stocks | Dollar terms: Jan 31 1993 | % Change over month | % Change on Dec '92 | Local currency terms: Jan 31 1993 | % Change over month | % Change on Dec '92 |
|---|---|---|---|---|---|---|---|
| **Latin America** | | | | | | | |
| Argentina | (30) | 947.39 | +1.8 | +1.8 | 52,452,216 | +1.9 | +1.9 |
| Brazil | (70) | 100.09 | -4.4 | -4.4 | 480,932,735 | +22.7 | +22.7 |
| Chile | (35) | 1,935.89 | +11.9 | +11.9 | 5,752.12 | +12.7 | +12.7 |
| Colombia | (20) | 1,024.81 | -6.3 | -6.3 | 7,368.80 | -5.4 | -5.4 |
| Mexico | (74) | 1,647.16 | -4.2 | -4.2 | 26,428.73 | -4.6 | -4.6 |
| Venezuela | (18) | 335.38 | -13.2 | -13.2 | 3,573.26 | -11.2 | -11.2 |
| **East Asia** | | | | | | | |
| South Korea | (134) | 270.15 | −5.2 | −5.2 | 259.08 | −4.7 | −4.7 |
| Philippines | (37) | 1,776.06 | +5.6 | +5.6 | 2,229.07 | +4.5 | +4.5 |
| Taiwan, China | (78) | 452.71 | −0.4 | −0.4 | 289.20 | −0.2 | −0.2 |
| **South Asia** | | | | | | | |
| India | (108) | 329.26 | +1.7 | +1.7 | 760.46 | +1.9 | +1.9 |
| Indonesia* | (41) | 55.99 | +3.3 | +3.3 | 64.21 | +3.2 | +3.2 |
| Malaysia | (66) | 172.48 | −3.6 | −3.6 | 186.43 | −3.4 | −3.4 |
| Pakistan | (65) | 235.59 | -0.1 | -0.1 | 395.36 | +1.1 | +1.1 |
| Thailand | (50) | 463.10 | +12.2 | +12.2 | 434.87 | +12.2 | +12.2 |
| **Euro/Mid East** | | | | | | | |
| Greece | (36) | 300.54 | +8.9 | +8.9 | 505.26 | +9.1 | +9.1 |
| Jordan | (29) | 123.06 | +6.3 | +6.3 | 219.46 | +6.0 | +6.0 |
| Portugal† | (38) | 350.40 | +6.2 | +6.2 | 328.27 | +5.1 | +5.1 |
| Turkey‡ | (36) | 36.38 | +8.5 | +8.5 | 418.21 | +10.6 | +10.6 |

*Source: International Finance Corporation. Base date: Dec 1984 = 100 *Dec 1989 = 100 †Jan 1986 = 100 ‡Dec 1986 = 100*

**FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock) | TUESDAY FEBRUARY 16 1993: US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | MONDAY FEBRUARY 15 1993: US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX: 1992/93 High | 1992/93 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (68) | 129.43 | +2.4 | 132.56 | 97.89 | 109.78 | 125.42 | +1.0 | 3.88 | 126.35 | 132.11 | 96.56 | 108.98 | 124.13 | 153.68 | 108.18 | 145.62 |
| Austria (18) | 145.37 | +2.8 | 148.89 | 109.95 | 123.30 | 124.06 | +1.8 | 1.81 | 141.46 | 147.91 | 108.11 | 122.02 | 121.91 | 186.70 | 131.16 | 162.10 |
| Belgium (42) | 140.51 | +0.9 | 143.92 | 106.27 | 119.18 | 117.12 | −0.3 | 5.16 | 139.32 | 145.67 | 106.47 | 120.17 | 117.51 | 152.27 | 131.19 | 137.48 |
| Canada (113) | 118.23 | −0.9 | 121.10 | 89.42 | 100.28 | 107.57 | −0.7 | 3.06 | 119.29 | 124.73 | 91.16 | 102.88 | 108.28 | 142.12 | 111.36 | 134.46 |
| Denmark (33) | 207.22 | +1.0 | 212.24 | 156.73 | 175.77 | 176.43 | −0.5 | 1.55 | 205.06 | 214.43 | 156.73 | 176.89 | 177.33 | 273.94 | 181.70 | 248.33 |
| Finland (23) | 69.21 | +1.1 | 70.88 | 52.34 | 58.70 | 85.11 | +0.1 | 1.68 | 68.47 | 71.59 | 52.33 | 59.06 | 85.00 | 89.80 | 52.84 | 86.07 |
| France (98) | 150.66 | +0.5 | 154.33 | 113.95 | 127.79 | 130.64 | −1.0 | 3.43 | 150.00 | 156.83 | 114.63 | 129.36 | 132.00 | 168.75 | 136.93 | 149.79 |
| Germany (62) | 112.04 | +1.6 | 114.76 | 84.75 | 95.03 | 95.03 | −0.1 | 2.40 | 110.25 | 115.27 | 84.27 | 95.09 | 95.09 | 129.69 | 101.59 | 116.82 |
| Hong Kong (55) | 242.92 | +0.3 | 248.81 | 183.72 | 206.06 | 241.19 | +0.2 | 3.74 | 242.31 | 253.35 | 185.18 | 209.01 | 240.60 | 262.28 | 176.36 | 197.17 |
| Ireland (16) | 131.10 | +0.6 | 134.27 | 99.15 | 111.20 | 123.72 | −1.1 | 4.29 | 130.32 | 136.26 | 99.60 | 112.40 | 125.09 | 173.71 | 122.98 | 163.10 |
| Italy (76) | 60.10 | +0.7 | 61.55 | 45.45 | 50.97 | 69.12 | +0.0 | 3.01 | 59.66 | 62.38 | 45.59 | 51.46 | 69.12 | 80.86 | 47.47 | 73.42 |
| Japan (472) | 108.31 | +0.3 | 110.93 | 81.91 | 91.88 | 81.91 | −0.7 | 1.01 | 107.99 | 112.91 | 82.53 | 93.15 | 82.53 | 140.95 | 87.27 | 118.22 |
| Malaysia (69) | 270.90 | +0.2 | 277.47 | 204.88 | 229.77 | 274.55 | +0.1 | 2.44 | 270.36 | 282.68 | 206.61 | 233.18 | 274.16 | 282.42 | 212.49 | 245.33 |
| Mexico (18) | 1540.95 | −0.5 | 1578.30 | 1165.46 | 1307.05 | 5216.95 | −0.6 | 1.15 | 1549.31 | 1619.88 | 1184.02 | 1336.29 | 5243.56 | 1769.77 | 1165.84 | 1674.31 |
| Netherland (25) | 156.67 | +0.7 | 160.47 | 118.50 | 132.90 | 131.36 | −1.0 | 4.33 | 155.60 | 162.69 | 118.91 | 134.21 | 132.63 | 169.70 | 147.88 | 149.75 |
| New Zealand (13) | 46.19 | +5.2 | 47.31 | 34.93 | 39.18 | 47.55 | +4.5 | 4.60 | 43.91 | 45.91 | 33.56 | 37.88 | 45.49 | 48.52 | 37.39 | 45.30 |
| Norway (22) | 142.92 | +0.8 | 146.39 | 108.10 | 121.23 | 134.97 | −0.5 | 1.85 | 141.75 | 148.20 | 108.33 | 122.26 | 135.69 | 192.95 | 128.05 | 168.13 |
| Singapore (38) | 219.77 | +1.0 | 225.09 | 166.22 | 186.41 | 166.90 | +0.9 | 1.97 | 217.57 | 227.48 | 166.27 | 187.65 | 165.33 | 229.63 | 179.65 | 218.19 |
| South Africa (60) | 168.60 | +0.7 | 172.69 | 127.51 | 143.01 | 168.96 | +1.0 | 2.99 | 167.42 | 175.05 | 127.95 | 144.40 | 167.23 | 263.60 | 134.21 | 227.56 |
| Spain (47) | 126.94 | +0.2 | 130.02 | 96.01 | 107.67 | 112.32 | −1.2 | 5.41 | 126.63 | 132.40 | 96.78 | 109.22 | 113.73 | 161.72 | 107.10 | 156.42 |
| Sweden (36) | 163.75 | +0.8 | 167.71 | 123.85 | 138.89 | 180.41 | −0.2 | 2.28 | 162.40 | 169.80 | 124.12 | 140.08 | 180.86 | 200.28 | 149.69 | 174.43 |
| Switzerland (56) | 113.18 | +1.7 | 115.92 | 85.60 | 96.01 | 105.70 | −0.6 | 2.02 | 111.24 | 116.30 | 85.02 | 95.95 | 106.31 | 122.37 | 95.99 | 98.14 |
| United Kingdom (226) | 164.28 | +1.0 | 168.26 | 124.24 | 139.33 | 168.26 | −1.1 | 4.43 | 162.69 | 170.10 | 124.32 | 140.31 | 170.10 | 200.07 | 161.86 | 178.44 |
| USA (522) | 177.22 | −2.4 | 181.51 | 134.04 | 150.32 | 177.22 | −2.4 | 2.85 | 181.65 | 189.93 | 138.83 | 156.66 | 181.65 | 183.74 | 160.92 | 166.31 |
| Europe (780) | 136.79 | +1.0 | 140.10 | 103.46 | 116.03 | 129.13 | −0.8 | 3.65 | 135.43 | 141.60 | 103.50 | 116.82 | 130.11 | 156.88 | 131.31 | 144.17 |
| Nordic (114) | 151.45 | +0.9 | 155.12 | 114.54 | 128.46 | 147.62 | −0.3 | 2.02 | 150.09 | 156.93 | 114.71 | 129.46 | 148.06 | 188.52 | 141.24 | 174.22 |
| Pacific Basin (715) | 113.55 | +0.4 | 116.30 | 85.88 | 96.31 | 88.19 | −0.5 | 1.35 | 113.07 | 118.22 | 86.42 | 97.53 | 88.67 | 141.97 | 93.70 | 121.70 |
| Euro−Pacific (1495) | 122.94 | +0.7 | 125.92 | 92.97 | 104.27 | 104.45 | −0.6 | 2.38 | 122.10 | 127.67 | 93.31 | 105.31 | 105.12 | 145.21 | 113.80 | 130.96 |
| North America (635) | 173.55 | −2.4 | 177.76 | 131.28 | 147.23 | 172.48 | −2.4 | 2.85 | 177.78 | 185.88 | 135.88 | 153.37 | 176.68 | 179.56 | 158.70 | 164.28 |
| Europe Ex. UK (554) | 119.43 | +1.0 | 122.32 | 90.34 | 101.32 | 107.31 | −0.5 | 3.13 | 118.23 | 123.61 | 90.37 | 101.99 | 107.89 | 132.98 | 111.33 | 123.41 |
| Pacific Ex. Japan (243) | 164.98 | +1.2 | 168.98 | 124.80 | 139.95 | 153.07 | +0.7 | 3.48 | 162.99 | 170.41 | 124.56 | 140.59 | 151.98 | 175.31 | 146.06 | 156.06 |
| World Ex. US (1686) | 124.15 | +0.6 | 127.16 | 93.90 | 105.31 | 106.50 | −0.6 | 2.41 | 123.38 | 129.00 | 94.30 | 106.42 | 107.16 | 146.91 | 115.99 | 133.12 |
| World Ex. UK (1982) | 138.88 | −0.9 | 142.23 | 105.03 | 117.80 | 124.31 | −1.4 | 2.39 | 140.08 | 146.46 | 107.06 | 120.83 | 126.12 | 150.56 | 127.21 | 139.97 |
| World Ex. So. Af. (2148) | 141.00 | −0.7 | 144.41 | 106.65 | 119.61 | 127.81 | −1.4 | 2.59 | 141.99 | 148.46 | 108.53 | 122.48 | 128.64 | 153.05 | 130.04 | 142.79 |
| World Ex. Japan (1736) | 159.75 | −1.0 | 163.62 | 120.83 | 135.52 | 155.21 | −1.6 | 3.14 | 161.41 | 168.76 | 123.36 | 139.24 | 157.77 | 165.40 | 151.93 | 157.91 |
| The World Index (2208) | 141.09 | −0.7 | 144.51 | 106.71 | 119.68 | 128.19 | −1.4 | 2.59 | 142.07 | 148.54 | 108.57 | 122.54 | 130.00 | 153.70 | 130.66 | 143.32 |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